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ABSTRACT

This book provides information to the student financial aid community about the calculation of a student's expected family contribution (EFC). An introduction which uses a question-and-answer format gives background information and guidance for using the proper formula to calculate a student's EFC. The following section provides narrative descriptions of the formulas: for a dependent student, for an independent student without dependents other than a spouse, and for an independent student with dependents other than a spouse. The third section presents the worksheets and tables needed for calculating the EFC for all three formulas. The fourth section presents sample case studies with completed forms for each formula. (DB)

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The EFC Formula Book

The Expected Family Contribution for Federal Student Aid

1998-99

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The Federal Student Aid Information Center*

❖ General information about the federal Student Financial Assistance Programs, assistance in completing the FAFSA, to obtain federal student aid publications . . . . **1-800-4-FED-AID (1-800-433-3243)**

❖ For a student to check on the processing of a federal student financial aid application or request a copy of his or her Student Aid Report (SAR) **1-319-337-5665**
(this is not a toll free number)

❖ TDD number for hearing-impaired individuals to call with any federal student aid questions **1-800-730-8913**

To order FAFSA Express on diskette **1-800-801-0576**

Inspector General Hotline
To report fraud, waste, or abuse involving federal student aid funds. **1-800-MIS-USED (1-800-647-8733)**

FAFSA on the Web (general information and technical assistance) **1-800-801-0576**

Frequently Requested Web Sites

Financial Aid Information for Students
from the Department's web site . . . . **www.ed.gov/offices/OPE/Students**

Financial Aid Information for Financial Aid Professionals
from the Department's web site . . . . **www.ed.gov/offices/OPE/Professionals**

The Student Guide . . . . **www.ed.gov/prog_info/SFA/StudentGuide**

Funding Your Education . . . . **www.ed.gov/prog_info/SFA/FYE**

FAFSA on the Web . . . . **www.fafsa.ed.gov**

FAFSA Express . . . . **www.ed.gov/offices/OPE/express.html**

Help in completing the FAFSA . . . . **www.ed.gov/prog_info/SFA/FAFSA**

Title IV school codes
(used to complete the FAFSA) . . . . **www.ed.gov/offices/OPE/t4_codes.html**

***The address of the Federal Student Aid Information Center is: P.O. Box 84, Washington, DC 20004.**

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INTRODUCTION

What is this book for?

This book provides information to the financial aid community about the calculation of a student's expected family contribution (EFC). This book is composed of four parts: (1) the introduction, which gives background information and guidance for using the proper formula to calculate a student's EFC, (2) the narrative descriptions of the formulas, (3) the worksheets and tables needed for calculating the EFC, and (4) sample case studies.

What is the EFC?

The expected family contribution (EFC) is the amount that a family can be expected to contribute toward a student's college costs. By comparing the EFC to the student's cost of attendance, the financial aid administrator at the school can determine the student's financial need for federal student aid from the U.S. Department of Education (the Department) and from other sources. The EFC formula is used to determine need for assistance from the following Student Financial Assistance (SFA) Programs: Federal Pell Grant, Subsidized Stafford Loan (under the Direct Loan Program and the Federal Family Education Loan [FFEL] Program), and "campus-based" programs—Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Perkins Loans, and Federal Work-Study (FWS) programs. The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA). Updated tables used in the computation of the EFC for the 1998-99 award year were published in the *Federal Register* May 29, 1997 (with corrections published August 25, 1997).

Note that the financial aid administrator puts together a financial aid package that comes as close as possible to meeting a student's need. However, because funds are limited, the amount awarded to the student may fall short of the amount of aid for which the student is eligible.

What is the source of data used in EFC calculations?

All data used to calculate a student's EFC come from the information the student provides on the Department's *Free Application for Federal Student Aid* (FAFSA). A student may submit a FAFSA (1) through the Internet by using *FAFSA on the Web*, (2) by using *FAFSA Express* software, (3) by filing an application electronically at those schools that participate in the Department's Electronic Data Exchange (EDE), or (4) by mailing a paper FAFSA. A student who applied for federal student aid in the previous award year may be eligible to apply by filing a Renewal FAFSA, either by using the paper Renewal application mailed to their home, or through the Internet.

Applying for federal aid is free. However, to be considered for nonfederal aid, such as institutional aid, a student may have to fill out additional forms and pay a processing fee.

Who processes the application, and how is a student notified of his or her EFC?

The student's FAFSA information is sent to the federal central processing system. The EFC is computed by the central processing system using the information the student reported on his or her

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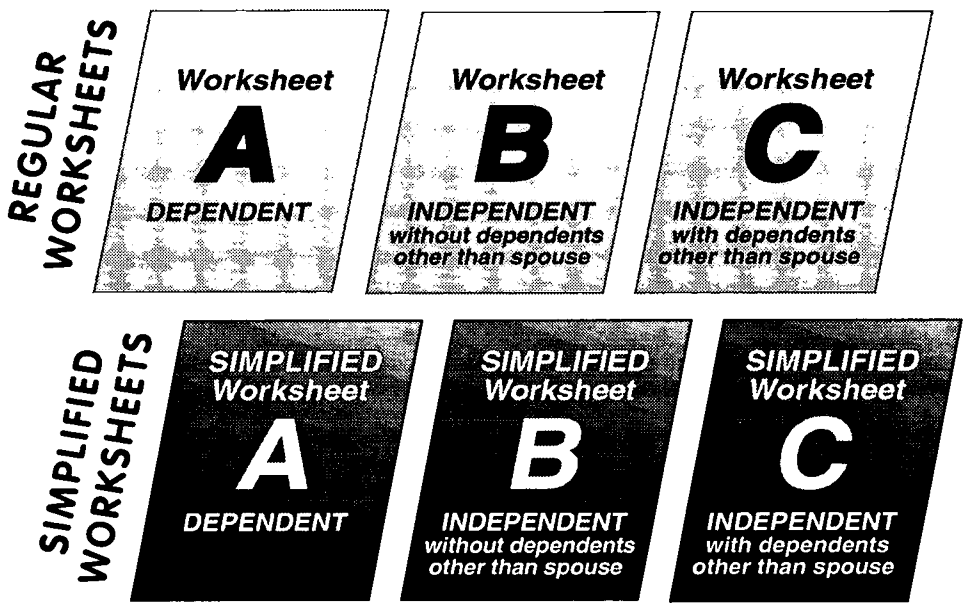
application. Each student will receive a Student Aid Report (SAR) that reports the information from the student's application and, if the information provided was complete, the student's EFC. The student is instructed to check carefully the data on the SAR to ensure that it is correct. If corrections to the SAR are necessary, a student's school may submit the corrections electronically (if the school participates in EDE). If a student applied by mail, by using *FAFSA Express*, or by using *FAFSA on the Web*, the student may make corrections on Part 2 of the SAR and return it to the address given at the end of Part 2. If the student applied electronically through a school and would like to make corrections to information by mail, the student must request a copy of his or her SAR from the Federal Student Aid Information Center (see the inside front cover for the address and phone number.)

Which EFC worksheet should be used?

There are three regular (full-data) formulas—(A) for the dependent student, (B) for the independent student *without* dependent(s) other than a spouse, and (C) for the independent student *with* dependent(s) other than a spouse. In addition, there is a simplified version of each formula with fewer data elements.



What is the definition of an independent student?

Because the EFC formula for a dependent student uses parental data, while the two formulas for independent students do not, the first step in calculating a student's EFC must be to determine his or her dependency status. For the 1998-99 award year, a student is automatically determined to be an independent applicant for federal student aid if he or she meets one of the following criteria:

- ❖ was born before January 1, 1975;
- ❖ is a veteran of the U.S. Armed Forces (see the box below);

- ❖ is enrolled in a graduate or professional program (beyond a bachelor's degree),
- ❖ is married;
- ❖ is an orphan or a ward of the court, or *was* a ward of the court until age 18; or
- ❖ has legal dependents other than a spouse (see the box below).

In unusual circumstances, the financial aid administrator at the student's school may make a special-case determination of independence even if the student initially filed as a dependent student. See the discussion on special circumstances on page 5.

TERMS USED IN THE DEFINITION OF AN INDEPENDENT STUDENT

VETERAN. A student who has engaged in active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard and was released under a condition other than dishonorable—including a student who attended a U.S. military academy but withdrew in good standing—or a student who is not a veteran now but will be a veteran by June 30, 1999.

LEGAL DEPENDENT. Any child of the student who receives more than half support from the student (the child does not have to live with the student), including a natural or adopted child, or a child for whom the student is legal guardian. Also, any person who lives with the student and receives more than half of his or her support from the student and will continue to receive more than half support from the student during the award year.

Which students qualify for the simplified EFC formulas?

The criteria listed below determine which students may have their EFCs calculated by a simplified formula. Assets are not considered in the simplified EFC formulas.

For the 1998-99 award year, a *dependent* student qualifies for the simplified EFC formula if *all* of the following are true:

(1) the student's *parents* filed or are eligible to file a 1997 IRS Form 1040A or 1040EZ* (they are not required to file a 1997 Form 1040), or the parents are not required to file any income tax return; *and*

(2) the *student* filed or is eligible to file a 1997 IRS Form 1040A or 1040EZ* (he or she is not required to file a 1997 Form 1040), or he or she is not required to file any income tax return; *and*

* One of the following 1997 income tax forms may be filed as an alternative to filing a Form 1040A or 1040EZ: the income tax return required by the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

(3) the 1997 income of the student's *parents* from the two sources below is $49,999 or less (excluding any income of the dependent student);

- ❖ the parents' adjusted gross income from 1997 Form 1040A or 1040EZ* is $49,999 or less, and

- ❖ the income shown on the 1997 W-2 forms of both parents (plus any other earnings from work not included on the W-2s) is $49,999 or less.

For the 1998-99 award year, an *independent* student qualifies for the simplified EFC formula if *both* of the following are true:

(1) the student (and the student's spouse, if any) filed or is eligible to file a 1997 IRS Form 1040A or 1040EZ* (he or she is not required to file a 1997 Form 1040), or he or she is not required to file any income tax return; *and*

(2) the student's (and spouse's) 1997 income from the two sources below is $49,999 or less;

- ❖ the student's (and spouse's) adjusted gross income from 1997 Form 1040A or 1040EZ* is $49,999 or less,

- ❖ the income shown on the student's (and spouse's) 1997 W-2 forms (plus any other earnings from work not included on the W-2s) is $49,999 or less.

Which students automatically qualify for a zero EFC?

As a result of the Higher Education Amendments of 1992, certain students are automatically eligible for a zero EFC. For the 1998-99 award year, a *dependent student* automatically qualifies for a zero EFC if *both* of the following are true:

(1) the student's parents filed or are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040), or the parents are not required to file any income tax return; *and*

(2) the sum of both parents' 1997 adjusted gross incomes is $12,000** or less, or if the parents are not tax filers, the sum of their earned incomes is $12,000 or less.

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* One of the following 1997 income tax forms may be filed as an alternative to filing a Form 1040A or 1040EZ: the income tax return required by the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.

** This amount is based on the maximum amount of income, rounded to the nearest thousand, that may be earned in order to claim the Internal Revenue Service's "maximum federal earned income credit." The maximum amount of 1997 income that may be earned in order to claim the credit, when rounded to the nearest thousand, equals $12,000.

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An *independent student with dependents other than a spouse* automatically qualifies for a zero EFC if *both* of the following are true:

(1) the student (and student's spouse, if any) filed or is eligible to file a 1997 IRS Form 1040A or 1040EZ (he or she is not required to file a 1997 Form 1040), or the student (and spouse) is not required to file any income tax return; *and*

(2) the sum of the 1997 adjusted gross income(s) of the student (and spouse) is $12,000* or less, or if the student (and spouse) are not tax filers, the sum of their earned income(s) is $12,000 or less.

Note that the automatic eligibility criteria for a zero EFC are not applicable to a single or married *independent student without dependents other than a spouse.*

How are special circumstances handled?

A financial aid administrator may use professional judgment on a case-by-case basis to take into account a student's special circumstances to

- adjust the value of specific data items reported on the student's SAR to increase or decrease a student's EFC.
- increase or decrease a student's cost of attendance. (Information about calculating a student's cost of attendance is on pages 7 and 8.)
- change a student's dependency status from dependent to independent.

Special circumstances are conditions that differentiate an individual student, not conditions that exist for a whole class of students. The reason for an adjustment must relate to that student's special circumstances and must be documented in the student's file. The financial aid administrator must resolve any inconsistent or conflicting information shown on the SAR before making any adjustments. A financial aid administrator's decision regarding adjustments is final and cannot be appealed to the Department.

Note that the aid administrator may not adjust the EFC itself—only individual data items. For example, if a dependent student's parent had an adjusted gross income (AGI) of $25,000 in 1997, but had medical/dental expenses of $5000, the aid administrator might decide to adjust the reported AGI to take into account the unusually high medical/dental expenses. The recalculated EFC would reflect the change to the reported AGI.

* This amount is based on the maximum amount of income, rounded to the nearest thousand, that may be earned in order to claim the Internal Revenue Service's "maximum federal earned income credit." The maximum amount of 1997 income that may be earned in order to claim the credit, when rounded to the nearest thousand, equals $12,000.

Keep in mind that the income protection allowance in the EFC formula already excludes a limited amount of income that would be required to maintain a modest living standard for a family. For example, for the 1998-99 award year, the income protection allowance for a family of four with one student in college will be $18,510. Of this amount, $2,036.10 represents family expenditures for medical care. Although a family with $2,500 in annual medical expenses may understandably consider these expenses to be worthy of professional judgment consideration, the expenses have already been taken into account in the EFC formula. As a rule of thumb, the income protection allowance comprises the following: food-30%, housing-22%, transportation-9%, clothing and personal care-16%, medical care-11%, and other family consumption-12%.

The authority granted the financial aid administrator in the law does not apply to general modifications to the formulas or tables used in the calculation of a student's EFC. Financial aid administrators are prohibited from replacing or modifying values such as the income protection allowance, tax allowances, taxation rates from adjusted available income, etc. The law also does not allow the financial aid administrator to make adjustments to an applicant's cost of attendance or to any of the data items used to calculate the EFC simply because the financial aid administrator believes that the values contained in the EFC tables are generally not appropriate or adequate for the school's SFA applicants and their families. Again, individual circumstances must exist and be documented before a financial aid administrator may make a professional judgment adjustment.

A student who does not meet any of the criteria for independent status may still be considered independent, even if the student initially filed as a dependent student. Note that a financial aid administrator *cannot* require a student who meets one of the independent criteria to file as a dependent student. However, on a case-by-case basis, the aid administrator may use his or her professional judgment to adjust the data items used in calculating an independent student's EFC to reflect a parental contribution. Again, any such individual determination must be documented in the student's file.

How does the student's Federal Pell Grant eligibility affect other federal student aid?

The regulations for most federal student aid programs require a student to first apply for a Pell Grant and to have his or her eligibility (or ineligibility) for aid from that program determined before eligibility for aid from other programs may be determined. (Note that graduate and professional students are not eligible for Pell Grants.) For the 1997-98 award year, if a student's EFC was between zero and 2500, the student was eligible for a Pell Grant. The maximum 1997-98 grant was $2,700 for a student with an EFC of zero. The aid administrator determines the actual amount of the award by using a table (one of the *Federal Pell Grant Payment Schedules*), which correlates the student's EFC and enrollment status with the cost of attending the postsecondary institution (see the information about calculating a student's cost of attendance on pages 7 and 8).

After the student's eligibility or ineligibility for a Pell Grant is determined, the financial aid administrator determines the student's need for a Subsidized Stafford Loan (under either the Direct Loan Program or the FFEL Program), or for aid from the campus-based program. A student is considered to have financial need if the cost of attending the school exceeds the student's EFC. However, a school may not award aid from a campus-based program if that aid plus the other resources the student will receive during the award period exceeds the student's financial need (resources include other federal student aid, fellowships, long-term school loans, etc.). Similarly, a

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subsidized Stafford Loan (Direct or FFEL) plus expected financial aid other than the loan may not exceed the student's financial need. PLUS Loans and unsubsidized Stafford Loans (Direct or FFEL) do not require a need test; however, applicants must have their Pell Grant and subsidized Stafford Loan eligibility determined before they can receive final approval. A PLUS Loan or an unsubsidized Stafford Loan may be used to replace part or all of a student's EFC. Although the Federal Pell Grant Program provides funds to every eligible student, campus-based program funds are limited; therefore, a student might not receive all the aid for which he or she is eligible from those programs.

How is the student's cost of attendance used to determine financial need?

A student's "cost of attendance" is the total amount it is estimated that it will cost the student to attend the school during a period of enrollment. The financial aid administrator at the school the student is attending is responsible for calculating the student's costs based on formulas provided by law (see the box on the following page). The student's "financial need" for assistance from the federal student financial aid programs is equal to his or her cost of attendance, minus the student's EFC, minus financial aid from other sources (such as a scholarship from the school). The total aid a student received from the federal student aid programs and other sources for a period of enrollment, when added to the student's EFC, must not exceed the student's cost of attendance. Unlike aid from other federal student aid programs, there is no need test for a PLUS Loan or an unsubsidized Stafford Loan; these loans can be used to replace part or all of the student's EFC.

Why might a calculation of an EFC using these worksheets differ from the EFC reported on a student's SAR?

When it appears that an applicant has reported inconsistent data, the central processing system may make certain assumptions to resolve the inconsistency. These assumed values, which are reported on the student's SAR, are used to calculate the student's EFC. Therefore, in some cases, the EFC produced by these worksheets may differ from the EFC produced by the central processing system if the data printed on the SAR is not used.

Are there any changes to the worksheets for 1998-99?

Yes. The Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1998 (Public Law 105-78) allowed the Department to increase the income protection allowances for dependent students (not for the dependent student's parents) and for independent students without dependents other than a spouse for the 1998-99 award year. The Department has increased the income protection allowance for a dependent student for the 1998-99 award year to $2,200 (see Formula A). The Department has increased the income protection allowance for an independent student without dependents other than a spouse for the 1998-99 award year to: $4,250 for unmarried students, $4,250 for married students if both the student and spouse are enrolled at least half time, and $7,250 for married students if only the student is enrolled at least half time (see Formula B).

In addition, the worksheets in the *1997-98 EFC Formula Book* indicated incorrectly that a negative total income was set to zero. Total income may be a negative number because exclusions from income may exceed the sum of the income. The worksheets have been changed to indicate that total income may be a negative number.

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Cost of attendance definition

Except as provided below, a student's cost of attendance is the sum of the following:

1. The tuition and fees normally assessed a student carrying the same academic workload, including costs for rental or purchase of equipment, materials, or supplies required of all students in the same course of study;

2. An allowance for books, supplies, transportation, and miscellaneous personal expenses;

3. For *a student without dependents living at home with parents*, an allowance for room and board of not less than $1,500; or, for *a student without dependents living in institutionally owned or operated housing*, a standard allowance for room and board based on the amount normally assessed most residents; or, for *all other students*, an allowance of not less than $2,500 based on reasonably incurred room and board expenses for such students;

4. For a student with dependents, an allowance based on the estimated actual expenses incurred for dependent care (during periods that include, but are not limited to, class-time, study-time, field work, internships, and commuting time for the student) based on the number and age of such dependents, not to exceed the reasonable cost in the community in which the student resides for the kind of care provided;

5. For study abroad programs approved for credit by the student's home institution, reasonable costs associated with such study;

6. For a student with a disability, an allowance for expenses related to a student's disability including special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other agencies;

7. For students placed in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment; and

8. For students receiving SFA loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for an FFEL Loan). Schools may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging). In all cases, the school can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at that school.

Exceptions:

❖ **Less than half-time students**—A student's cost of attendance can include only tuition and fees, an allowance for books, supplies, and transportation, and an allowance for dependent care expenses in accordance with item #4 above.

❖ **Incarcerated students**—An allowance for tuition and fees and, if required, books and supplies. No other expenses can be included. An incarcerated student is ineligible to receive an SFA loan. If the student is incarcerated in a federal or state penal institution, he or she may not receive a Pell Grant.

❖ **Correspondence study students**—Generally, a student's cost of attendance can include only tuition and fees. However, if the student is fulfilling a required period of residential training, the student's cost of attendance can also include required books, supplies, travel, and room and board costs specifically incurred.

❖ **Students receiving instruction by telecommunications**—No distinction shall be made regarding the mode of instruction in determining costs, except that the cost of rental or purchase of equipment cannot be included as an element of the cost of attendance. However, if the financial aid administrator determines using his or her professional judgment under section 479A of the HEA that a course of instruction offered through telecommunications results in a substantially reduced cost of attendance to the student, the financial aid administrator must reduce the student's eligibility for grants, loans, or work-study assistance.

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FORMULA DESCRIPTIONS

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FORMULA "A"

FOR A DEPENDENT STUDENT

(See Worksheets on pages 27-33 and Tables on pages 35-38.)

The Expected Family Contribution (EFC) for a dependent student is calculated using the information for the student and the student's parents provided on the FAFSA. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers.

PARENTS' INCOME IN 1997 (LINES 1-7)

Using information from the student's FAFSA, the parents' total income is calculated. The parents' total income is the sum of the parents' taxable and untaxed income, minus allowable exclusions. If the parents are tax filers, the parents' adjusted gross income (AGI) as reported on the FAFSA is the amount of the parents' taxable income used in the calculation. If the parents are not tax filers, the calculation uses the parents' reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. Note that "earned income credit" is included as part of total untaxed income and benefits only if the parents are tax filers.

The parents' taxable and untaxed income reported on the FAFSA is their "base year" income, defined as the income received during the calendar year preceding the academic year for which aid is requested. Thus, for the 1998-99 award year, an amount equal to the parents' calendar year 1997 income is used in the parents' portion of the EFC calculation. In most cases, base year income is more reliable because it can be verified easily by comparing it with the U.S. income tax return or payroll receipts. However, if the family has been adversely affected by a special circumstance, the financial aid administrator may use his or her professional judgment to substitute expected 1998 income for both parents in the formula, or otherwise adjust income or other data in the formula (see page 5). Total income may be a negative number.

Stop here if line 3 (parents' taxable income) is $12,000 or less, and the parents did not and will not file an IRS Form 1040 (or are not required to file an income tax return). If both of these conditions are met, the student's EFC is zero. See the discussion of the "zero EFC" on page 4.

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ALLOWANCES AGAINST PARENTS' INCOME (LINES 8-14)

Certain allowances are deducted from parents' total income to reserve a portion of income for expenses that are required (taxes), necessary (basic living expenses), and related to acquiring income (employment allowance). The allowances provide a minimum level of support for the necessary expenses that affect a family's financial strength. Total allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-tax filers do not receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table A1, page 35. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below $15,000 or is $15,000 or more. The state to be used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (4 percent for total income below $15,000; 3 percent for total income of $15,000 or more). If this is a negative amount, it is set to zero.

- **Father's and Mother's Social Security tax allowance.** Use Table A2, page 36. The father's and mother's Social Security taxes are calculated separately by applying the tax rates shown in Table A2 to the father's income earned from work and the mother's income earned from work in 1997 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table A3, page 36. This allowance is a provision for the basic living expenses of a family, which must be considered before any parental contribution for postsecondary education can be determined. The allowance varies according to the number in the parents' household and the number in college in 1998-99, as reported on the FAFSA.

- **Employment expense allowance.** Families that do not have a nonemployed parent in the home (that is, families with two working parents or one-parent families) have expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35 percent of the lesser of the father's income earned from work (FAFSA/SAR #67) or the mother's income earned from work (FAFSA/SAR #68), but may not exceed $2,800. For one-parent families, the allowance is 35 percent of the parent's income earned from work, or $2,800, whichever is less. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

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AVAILABLE INCOME (LINE 15)

Available income is calculated by subtracting total allowances from total income. This step assumes priorities for nondiscretionary expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income may be a negative number.

PARENTS' CONTRIBUTION FROM ASSETS (LINES 16-26)

(not included in the simplified formula)

In the full-data formula, the assets of parents of a dependent student must be considered in the determination of the family's total financial strength in order to fully measure a family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strength.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Note that the net worth of a business/farm is adjusted to protect a portion of the net worth of these assets (use Table A4, page 36).

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table A5, page 37) from the parents' net worth. As is the case with income, this is done to protect a portion of assets (net worth). Families use their assets for a variety of reasons such as paying for a postsecondary education, retirement, or emergencies. The allowances for ages 40 through 65 approximate the present cost of an annuity which, when combined with Social Security benefits, would provide at age 65 a moderate level of living for a retired couple or single person. As shown in Table A5, the allowance increases with the age of the older parent (as reported on the FAFSA) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12 percent to obtain the **parents' contribution from assets**, which represents the portion of the value of parents' assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

PARENTS' CONTRIBUTION (LINES 27-30)

These are the final steps in determining the parents' contribution. The parents' available income (line 15) and contribution from assets (line 26) are added to obtain the **parents' adjusted available income** (AAI). The AAI may be a negative number. The **total parents' contribution from AAI** is calculated from the amounts and rates in Table A6 (page 37) and is the total amount parents are expected to contribute toward their family's postsecondary educational costs. The rates in Table A6 increase from 22 to 47 percent as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs with less effect on the maintenance of the family.

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The **parents' contribution** is calculated by dividing the total parents contribution from AAI (line 28) by the number in college in 1998-99, as reported on the FAFSA. The standard parents' contribution is for a 9-month enrollment period. If the student will be enrolled for less or more than 9 months, the parents' contribution is adjusted accordingly; there is no adjustment to the dependent student's own contribution. For an enrollment of less than 9 months, the parents' contribution is simply reduced proportionally—1/9 for each month of enrollment less than 9 months; for an enrollment of more than 9 months, the parents' contribution is calculated by adjusting the standard 9-month formula in several steps, beginning with the parents' AAI (see page 3 of Worksheet A).

STUDENT INCOME (LINES 31-37)

As with the parents' income information, the student's total income is calculated using information from the student's FAFSA. The student's total income is the sum of the student's taxable and untaxed income, minus allowable exclusions. If the student is a tax filer, the student's adjusted gross income (AGI) as reported on the FAFSA is the amount of taxable income used in the calculation. If the student is not a tax filer, the calculation uses the student's reported income earned from work. As with the parents' income, the student's taxable and untaxed income reported on the FAFSA is his or her "base year" income, defined as the income received during the calendar year preceding the academic year for which aid is requested. For the 1998-99 award year, an amount equal to the student's calendar-year 1997 income is used in the student portion of the EFC calculation. Total income may be a negative number.

ALLOWANCES AGAINST STUDENT INCOME (LINES 38-42)

The allowances listed below are deducted from total income:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers do not receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table A7, page 38. This allowance is a percentage of total income of the student and varies according to the state. The state to be used in calculating the state and other tax allowance is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table A7 is used (2 percent). If this is a negative amount, it is set to zero.

- **Social Security tax allowance.** Use Table A2, page 36. The student's Social Security tax allowance is calculated by applying the tax rates shown in Table A2 to the student's income earned from work in 1997 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance for a dependent student is $2,200.

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STUDENT'S CONTRIBUTION FROM INCOME (LINES 43-45)

First, the student's **available income** (AI) is calculated by subtracting total allowances (line 42) from the student's total income (line 37). The AI is then assessed at a rate of 50 percent to obtain the student contribution from available income. If the student contribution from available income is less than zero, it is set to zero.

STUDENT'S CONTRIBUTION FROM ASSETS (LINES 46-52)

(not included in the simplified formula)

The student's assets are treated in the same manner in the full-data formula as the parents' assets with three exceptions—there is no adjustment to the net worth of the business/farm, there is no education savings and asset protection allowance, and net worth is assessed at the rate of 35 percent.

First, the student's **net worth** is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Then, the student's net worth is multiplied by the conversion rate of 35 percent to obtain the **student's contribution from assets**, which represents the portion of the value of student's assets that may be considered to be available to help pay for the student's postsecondary education.

EXPECTED FAMILY CONTRIBUTION (LINE 53)

The final step in the EFC formula for the dependent student is to add the parents' contribution (from line 30), the student contribution from available income (from line 45), and the student contribution from assets (from line 52). The result is the EFC for the 1998-99 award period.

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FORMULA "B"

FOR AN INDEPENDENT STUDENT WITHOUT DEPENDENT(S) OTHER THAN A SPOUSE

(See Worksheets on pages 39-42 and Tables on pages 43-45.)

The Expected Family Contribution (EFC) for a single or married independent student with no dependent(s) other than a spouse is the amount of funds considered available to pay the student's direct and indirect postsecondary educational costs for the academic year. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers.

STUDENT/SPOUSE INCOME IN 1997 (LINES 1-7)

Using information from the student's FAFSA, the student's total income is calculated. The student's total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus allowable exclusions. If the student and spouse are tax filers, adjusted gross income (AGI) as reported on the FAFSA is the amount of student/spouse taxable income used in the calculation. If the student and spouse are not tax filers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student/ spouse are tax filers.

The taxable and untaxed income reported on the FAFSA is "base year" income, defined as the income of the student and his or her spouse (if the student is married) during the calendar year preceding the academic year for which aid is requested. For the 1998-99 award year, an amount equal to the student/spouse calendar-year 1997 income is used in the EFC calculation. In most cases, base year income is more reliable because it can be verified easily by comparing it with the U.S. income tax return or payroll receipts. However, if the student or spouse has been adversely affected by a special circumstance, the financial aid administrator may use his or her professional judgment to substitute expected 1998 income for the student and spouse in the formula or may otherwise adjust income or other data in the formula (see page 5). Total income may be a negative number.

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ALLOWANCES AGAINST STUDENT/SPOUSE INCOME (LINES 8-14)

Certain allowances are deducted from the student/spouse total income to reserve a portion of income for expenses that are required (taxes), necessary (basic living expenses), and related to acquiring income (employment allowance). The allowances provide a minimum level of support for the necessary expenses that affect a student's financial strength. Total allowances are calculated by adding the following:

- ❖ **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers do not receive this allowance. If this is a negative amount, it is set to zero.

- ❖ **State and other tax allowance.** Use Table B1, page 43. This allowance is a percentage of the total income of the student/spouse and varies according to the state. The state to be used in Table B1 is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2 percent). If this is a negative amount, it is set to zero.

- ❖ **Social Security tax allowance.** Use Table B2, page 44. The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to student's income earned from work and the spouse's income earned from work in 1997 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- ❖ **Income protection allowance.** The law provides for an income protection allowance of $4,250 for an unmarried student, $4,250 for a married student if both the student and spouse are enrolled at least half time,* and $7,250 for a married student, if the student is enrolled at least half time* but the student's spouse is not.

- ❖ **Employment expense allowance.** There are expenses that occur as a result of employment, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student is not married, the employment expense allowance is zero. If the student is married but only one person is working (the student or the student's spouse), the allowance is zero. If the student is married and both the student and the student's spouse are working, the allowance is 35 percent of the lesser of the student's income earned from work (FAFSA/SAR #55) or the spouse's income earned from work (FAFSA/SAR #56), but may not exceed $2,800.

CONTRIBUTION FROM AVAILABLE INCOME (LINES 15-17)

The student's contribution from available income is calculated by subtracting total allowances from total income. This step assumes priorities for nondiscretionary expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for

* "Enrolled at least half time" means enrolled or accepted for enrollment on at least a half-time basis in an eligible program leading to a degree, certificate, or other recognized educational credential at an eligible institution of higher education. Only students enrolling for at least 6 credit hours per term should be included; if the school uses clock hours, only students attending at least 12 clock hours per week should be included.

discretionary purposes, including paying for a postsecondary education. (The available income may be a negative number.) The available income is then assessed at a rate of 50 percent to obtain the student/spouse contribution from available income.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS (LINES 18-28)

(not included in the simplified formula)

In the full-data formula, the assets of an independent student with no dependents other than a spouse are treated in the same manner as the assets of the parents of a dependent student with the exception of the asset conversions rate, which is 12 percent for the parents of a dependent student and 35 percent for the independent student with no dependents other than a spouse.

First, the **net worth** of a student's and spouse's assets is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Note that the net worth of a business/farm is adjusted to protect a portion of the net worth of these assets (use Table B3, page 44).

Second, the student/spouse **discretionary net worth** is calculated by subtracting the asset protection allowance (Table B4, page 45) from the net worth. The allowance increases with the age of the student as of December 31, 1998, which may be determined from the student's date of birth (as reported on the FAFSA). The rationale for the allowance is to protect a portion of assets that may be needed for a purpose other than to pay for a postsecondary education, such as emergencies or retirement.

Finally, the discretionary net worth is multiplied by the conversion rate of 35 percent to obtain the **student/spouse contribution from assets**, which represents the portion of the value of the student/spouse assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

EXPECTED FAMILY CONTRIBUTION (LINES 29-31)

This is the final step in determining the EFC for the independent student without dependents other than a spouse. The contribution from available income (line 17) and the contribution from assets (line 28) are added together. The resulting **contribution from available income and assets** (line 29) is divided by the number in college in 1998-99, as reported on the FAFSA. The result is the EFC for the 1998-99 award period.

The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less or more than 9 months, the EFC is adjusted accordingly (see page 2 of Worksheet B).

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FORMULA "C"

FOR AN INDEPENDENT STUDENT WITH DEPENDENT(S) OTHER THAN A SPOUSE

(See Worksheets on pages 47-50 and Tables on pages 51-53.)

The Expected Family Contribution (EFC) for an independent student with dependent(s) other than a spouse is almost the same as the formula for the *parents* of a dependent student. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers.

STUDENT/SPOUSE INCOME IN 1997 (LINES 1-7)

Using information from the student's FAFSA, the student's total income is calculated. The student's total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus allowable exclusions. If the student and spouse are tax filers, adjusted gross income as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not tax filers, the calculation uses reported income earned from work. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student/spouse are tax filers.

The taxable and untaxed income reported on the FAFSA is "base year" income, defined as the income of the student and his or her spouse (if the student is married) during the calendar year preceding the academic year for which aid is requested. For the 1998-99 award year, an amount equal to the student/spouse calendar year 1997 income is used in the EFC calculation. In most cases, base year income is more reliable because it can be verified easily by comparing it with the U.S. income tax return or payroll receipts. However, if the student or spouse has been adversely affected by a special circumstance, the financial aid administrator may use his or her professional judgment to substitute expected 1998 income for the student and spouse in the formula, or may otherwise adjust income or other data in the formula (see page 5). Total income may be a negative number.

STOP

Stop here if line 3 (student/spouse taxable income) is $12,000 or less, and the student (and spouse, if any) did not and will not file an IRS Form 1040 (or are not required to file an income tax return). If both of these conditions are met, the student's EFC is zero. See the discussion of the "zero EFC" on page 4.

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ALLOWANCES AGAINST STUDENT/SPOUSE INCOME (LINES 8-14)

Certain allowances are deducted from the student/spouse total income to reserve a portion of income for expenses that are required (taxes), necessary (basic living expenses), and related to acquiring income (employment allowance). The allowances provide a minimum level of support for the necessary expenses that affect a student's financial strength. Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers do not receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table C1, page 51. This allowance is a percentage of the total income of the student/spouse and approximates the average amount paid in state and other taxes. The percentage varies according to the state and whether the student/spouse total income is below $15,000 or is $15,000 or more. The state to be used in Table C1 is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (4 percent for total income below $15,000; 3 percent for total income of $15,000 or more). If this is a negative amount, it is set to zero.

- **Social Security tax allowance.** Use Table C2, page 52. The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 1997 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table C3, page 52. This allowance is a provision for the basic living expenses of a family, which must be considered before any student/spouse contribution from income can be determined. The allowance varies according to the number in the student's household and the number in college in 1998-99, as reported on the FAFSA.

- **Employment expense allowance.** There are expenses that occur as a result of employment, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35 percent of the lesser of the student's income earned from work (FAFSA/SAR #55) or the spouse's income earned from work (FAFSA/SAR #56), but may not exceed $2,800. If the student is a single parent, the allowance is 35 percent of the student's income earned from work in 1997, or $2,800, whichever is less. If a student is married and only the student *or* the spouse reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

AVAILABLE INCOME (LINE 15)

Available income is calculated by subtracting total allowances from total income. This step assumes priorities for nondiscretionary expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income may be a negative number.

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STUDENT/SPOUSE CONTRIBUTION FROM ASSETS (LINES 16-26)

(not included in the simplified formula)

In the full-data formula, the assets of an independent student with dependents other than a spouse are treated in the same manner as the assets of the parents of a dependent student. The assets must be considered in the determination of the family's total financial strength to fully measure a family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strengths.

First, the **net worth** of a student's and spouse's assets is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Note that the net worth of a business/farm is adjusted to protect a portion of these assets (use Table C4, page 52).

Second, the student/spouse **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5, page 53) from the net worth. The allowance increases with the age of the student as of December 31, 1998, which may be determined from the student's date of birth (as reported on the FAFSA). The rationale for the allowance is to protect a portion of assets that may be needed for a purpose other than to pay for a postsecondary education, such as emergencies or retirement.

Finally, the discretionary net worth is multiplied by the conversion rate of 12 percent to obtain the **student/spouse contribution from assets**, which represents the portion of the value of the student/spouse assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

EXPECTED FAMILY CONTRIBUTION (LINES 27-30)

This is the final step in determining the EFC for the independent student without dependents other than a spouse. The contribution from available income (line 15) and the contribution from assets (line 26) are added together to obtain the **adjusted available income** (AAI). The AAI may be a negative number. The AAI is used in Table C6, page 53 to obtain the **total contribution from AAI**. This is the total amount the student and spouse are expected to contribute toward the student's postsecondary educational costs. The rates in Table C6 increase from 22 to 47 percent as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

The EFC is calculated by dividing the total student's contribution from AAI (line 28) by the number in college in 1998-99, as reported on the FAFSA. The result is the EFC for the 1998-99 award period. The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less or more than 9 months, the EFC is adjusted accordingly (see page 2 of Worksheet C).

WORKSHEETS AND TABLES

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1998-99 EFC FORMULA A: DEPENDENT STUDENT

REGULAR WORKSHEET Page 1 **A**

PARENTS' INCOME IN 1997	
1. Parents' Adjusted Gross Income (FAFSA/SAR #65)	
2. a. Father's income earned from work (FAFSA/SAR #67) ______	
2. b. Mother's income earned from work (FAFSA/SAR #68) + ______	
Total parents' income earned from work = 2.	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #69) ______	
• Social Security benefits (FAFSA/SAR #70) + ______	
• AFDC/ADC (FAFSA/SAR #71) + ______	
• Child support received (FAFSA/SAR #72) + ______	
• Other untaxed income (FAFSA/SAR #73) + ______	
Total untaxed income and benefits = 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)	
6. Exclusions (FAFSA/SAR #74) -	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST PARENTS' INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	
9. State and other tax allowance (Table A1. If negative, enter zero.) +	
10. Father's Social Security tax (Table A2) +	
11. Mother's Social Security tax (Table A2) +	
12. Income protection allowance (Table A3) +	
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less.	
• One parent families: 35% of earned income, or $2,800, whichever is less	
• Two-parent families, one working parent: zero +	
14. **TOTAL ALLOWANCES** =	

AVAILABLE INCOME	
Total income (from line 7)	
Total allowances (from line 14) -	
15. **AVAILABLE INCOME (AI)** May be a negative number. =	

* STOP HERE if both of the following are true: line 3 is $12,000 or less, and the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ [illegible] not required to file a 1997 Form 1040), or they are not required [illegible]y income tax return—the student's EFC is zero.

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings, & checking (FAFSA/SAR #83)	
17. Other real estate & investments value ** (FAFSA/SAR #84) ______	
Other real estate & investments debt ** (FAFSA/SAR #85) - ______	
Net worth of real estate & investments If negative, enter zero. = 17.	
18. Business value ** (FAFSA/SAR #86) ______	
Business debt ** (FAFSA/SAR #87) - ______	
Net worth of business If negative, enter zero = 18. ______	
19. Investment farm value ** (FAFSA/SAR #88) ______	
Investment farm debt ** (FAFSA/SAR #89) - ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 19. ______	
20. Net worth of business/farm (sum of lines 18 and 19) 20. ______	
21. Adjusted net worth of business/farm (Calculate using Table A4.) +	
22. **Net worth** (sum of lines 16, 17, and 21) =	
23. Education savings and asset protection allowance (Table A5) -	
24. **Discretionary net worth** (line 22 minus line 23) =	
25. Asset conversion rate X	.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

PARENTS' CONTRIBUTION	
Available income (AI) (from line 15)	
Contribution from assets (from line 26) +	
27. **Adjusted available income (AAI)** May be a negative number. =	
28. **Total parents' contribution from AAI** (Calculate using Table A6; if negative, enter zero.)	
29. **Number in college in 1998-99** (FAFSA/SAR #50) ÷	
30. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)	

** Do not include the family's home.

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REGULAR WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 1997	
31. Adjusted Gross Income (FAFSA/SAR #53)	
32. Income earned from work (FAFSA/SAR #55)	
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	
34. Untaxed income and benefits: • Social Security benefits (FAFSA/SAR #58) ______ • Other untaxed income (FAFSA/SAR #61) + ______ Total untaxed income and benefits = **34.**	
35. Taxable and untaxed income (sum of line 33 and line 34)	
36. Exclusions (FAFSA/SAR #62) -	
37. TOTAL INCOME (line 35 minus line 36) May be a negative number. =	

ALLOWANCES AGAINST STUDENT INCOME	
38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	
39. State and other tax allowance (Table A7. If negative, enter zero.) +	
40. Social Security tax allowance (Table A2) +	
41. Income protection allowance +	2,200
42. TOTAL ALLOWANCES =	

STUDENT CONTRIBUTION FROM INCOME	
Total income (from line 37)	
Total allowances (from line 42) -	
43. Available income (AI) =	
44. Assessment of AI X	.50
45. STUDENT CONTRIBUTION FROM AI = If negative, enter zero.	

STUDENT CONTRIBUTION FROM ASSETS	
46. Cash, savings, & checking (FAFSA/SAR #75)	
47. Other real estate & investments value * (FAFSA/SAR #76) ______ Other real estate & investments debt * (FAFSA/SAR #77) - ______ Net worth of real estate & investments If negative, enter zero. = **47.**	
48. Business value * (FAFSA/SAR #78) ______ Business debt * (FAFSA/SAR #79) - ______ Net worth of business If negative, enter zero = **48.**	
49. Investment farm value * (FAFSA/SAR #80) ______ Investment farm debt * (FAFSA/SAR #81) - ______ Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = **49.**	
50. Net worth (sum of lines 46 through 49) =	
51. Assessment rate X	.35
52. CONTRIBUTION FROM ASSETS =	

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 30)	
STUDENT CONTRIBUTION FROM AI (from line 45) +	
STUDENT CONTRIBUTION FROM ASSETS (from line 52) +	
53. EXPECTED FAMILY CONTRIBUTION =	

* Do not include the student's home.

NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 3 **A**

Calculation of Parents' Contribution for a Student Enrolled for LESS than 9 Months		
Parents' contribution (standard contribution for 9-month enrollment, from line 30)		
Divide by 9	÷	9
Parents' contribution per month	=	
Multiply by number of months enrollment	X	
Parents' contribution for LESS than 9-month enrollment *	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than 9 Months		
a. Parents' adjusted available income (AAI) (from line 27—may be a negative number)		
b. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	3,330
c. Alternate parents' AAI for more than 9-month enrollment (line a + line b)	=	
d. Total parents' contribution from AAI (calculate from Table A6, using alternate AAI)		
e. Number in college (FAFSA/SAR #52)	÷	
f. Alternate parents' contribution for student	=	
g. Standard parents' contribution for the student for 9-month enrollment (from line 30)	-	
h. Difference (line f minus line g)	=	
i. Divide line h by 12 months	÷	12
j. Parents' contribution per month	=	
k. Number of months student will be enrolled that exceed 9	X	
l. Adjustment to parents' contribution for months that exceed 9 (multiply line j by line k)	=	
m. Standard parents' contribution for 9-month enrollment (from line 30)	+	
n. Parents' contribution for MORE than 9-month enrollment *	=	

* Substitute the parents' contribution for LESS or MORE than 9-month enrollment in place of the parents' contribution for 9-month enrollment on Worksheet A, line 30.

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1998-99 EFC FORMULA A: DEPENDENT STUDENT

SIMPLIFIED WORKSHEET Page 1 A

PARENTS' INCOME IN 1997

1. Parents' Adjusted Gross Income (FAFSA/SAR #65)	
2. a. Father's income earned from work (FAFSA/SAR #67) ______	
2. b. Mother's income earned from work (FAFSA/SAR #68) + ______	
Total parents' income earned from work = 2.	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #68) ______	
• Social Security benefits (FAFSA/SAR #70) + ______	
• AFDC/ADC (FAFSA/SAR #71) + ______	
• Child support received (FAFSA/SAR #72) + ______	
• Other untaxed income (FAFSA/SAR #73) + ______	
Total untaxed income and benefits =4.	
5. Taxable and untaxed income (sum of line 3 and line 4)	
6. Exclusions (FAFSA/SAR #74) -	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST PARENTS' INCOME

8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	
9. State and other tax allowance (Table A1. If negative, enter zero.) +	
10. Father's Social Security tax (Table A2) +	
11. Mother's Social Security tax (Table A2) +	
12. Income protection allowance (Table A3) +	
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less.	
• One parent families: 35% of earned income, or $2,800, whichever is less	
• Two-parent families, one working parent: zero +	
14. **TOTAL ALLOWANCES** =	

AVAILABLE INCOME

Total income (from line 7)	
Total allowances (from line 14) -	
15. **AVAILABLE INCOME (AI)** May be a negative number. =	

* STOP HERE if both of the following are true: line 3 is $12,000 or less, *and* the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040, or they are not required ny income tax return)—the student's EFC is zero.

PARENTS' CONTRIBUTION FROM ASSETS

16. Cash, savings, & checking (FAFSA/SAR #83)	
17. Other real estate & investments value ** (FAFSA/SAR #84) ______	
Other real estate & investments debt ** (FAFSA/SAR #85) - ______	
Net worth of real estate & investments If negative, enter zero. = 17.	
18. Business value ** (FAFSA/SAR #86) ______	
Business debt ** (FAFSA/SAR #87) - ______	
Net worth of business If negative, enter zero = 18. ______	
19. Investment farm value ** (FAFSA/SAR #88) ______	
Investment farm debt ** (FAFSA/SAR #89) - ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 19. ______	
20. Net worth of business/farm (sum of lines 18 and 19) 20. ______	
21. Adjusted net worth of business/farm (Calculate using Table A4.) +	
22. **Net worth** (sum of lines 16, 17, and 21) =	
23. Education savings and asset protection allowance (Table A5) -	
24. **Discretionary net worth** (line 22 minus line 23) =	
25. Asset conversion rate X	.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

PARENTS' CONTRIBUTION

Available income (AI) (from line 15)	
Contribution from assets (from line 26) +	
27. **Adjusted available income (AAI)** May be a negative number. =	
28. **Total parents' contribution from AAI** (Calculate using Table A6; if negative, enter zero.)	
29. **Number in college in 1998-99** (FAFSA/SAR #50) ÷	
30. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)	

** Do not include the family's home.

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SIMPLIFIED WORKSHEET Page 2

A

STUDENT'S INCOME IN 1997	
31. Adjusted Gross Income (FAFSA/SAR #53)	
32. Income earned from work (FAFSA/SAR #55)	
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	
34. Untaxed income and benefits: • Social Security benefits (FAFSA/SAR #58) ____ • Other untaxed income (FAFSA/SAR #61) + ____ Total untaxed income and benefits = 34.	
35. Taxable and untaxed income (sum of line 33 and line 34)	
36. Exclusions (FAFSA/SAR #62) -	
37. **TOTAL INCOME** (line 35 minus line 36) May be a negative number. =	

ALLOWANCES AGAINST STUDENT INCOME	
38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	
39. State and other tax allowance (Table A7. If negative, enter zero.) +	
40. Social Security tax allowance (Table A2) +	
41. Income protection allowance +	2,200
42. **TOTAL ALLOWANCES** =	

STUDENT CONTRIBUTION FROM INCOME	
Total income (from line 37)	
Total allowances (from line 42) -	
43. **Available income (AI)** =	
44. **Assessment of AI** X	.50
45. **STUDENT CONTRIBUTION FROM AI** = If negative, enter zero.	

STUDENT CONTRIBUTION FROM ASSETS	
46. Cash, savings, & checking (FAFSA/SAR #75)	
47. Other real estate & investments value * (FAFSA/SAR #76) ____ Other real estate & investments debt * (FAFSA/SAR #77) - ____ Net worth of real estate & investments If negative, enter zero. = 47.	
48. Business value * (FAFSA/SAR #78) ____ Business debt * (FAFSA/SAR #79) - ____ Net worth of business If negative, enter zero = 48.	
49. Investment farm value * (FAFSA/SAR #80) ____ Investment farm debt * (FAFSA/SAR #81) - ____ Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 49.	
50. **Net worth** (sum of lines 46 through 49) =	
51. Assessment rate X	.35
52. **CONTRIBUTION FROM ASSETS** =	

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 30)	
STUDENT CONTRIBUTION FROM AI (from line 45) +	
STUDENT CONTRIBUTION FROM ASSETS (from line 52) +	
53. **EXPECTED FAMILY CONTRIBUTION** =	

* Do not include the student's home.

NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 3 **A**

Calculation of Parents' Contribution for a Student Enrolled for LESS than 9 Months		
Parents' contribution (standard contribution for 9-month enrollment, from line 30)		
Divide by 9	÷	9
Parents' contribution per month	=	
Multiply by number of months enrollment	X	
Parents' contribution for LESS than 9-month enrollment *	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than 9 Months		
a. Parents' adjusted available income (AAI) (from line 27—may be a negative number)		
b. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	3,330
c. Alternate parents' AAI for more than 9-month enrollment (line a + line b)	=	
d. Total parents' contribution from AAI (calculate from Table A6, using alternate AAI)		
e. Number in college (FAFSA/SAR #52)	÷	
f. Alternate parents' contribution for student	=	
g. Standard parents' contribution for the student for 9-month enrollment (from line 30)	-	
h. Difference (line f minus line g)	=	
i. Divide line h by 12 months	÷	12
j. Parents' contribution per month	=	
k. Number of months student will be enrolled that exceed 9	X	
l. Adjustment to parents' contribution for months that exceed 9 (multiply line j by line k)	=	
m. Standard parents' contribution for 9-month enrollment (from line 30)	+	
n. Parents' contribution for MORE than 9-month enrollment *	=	

* Substitute the parents' contribution for LESS or MORE than 9-month enrollment in place of the parents' contribution for 9-month enrollment on Worksheet A, line 30.

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Table A1: State and Other Tax Allowance

for Worksheet A (parents only)

STATE	PERCENT OF TOTAL INCOME	
	$0-14,999	$15,000 or more
Alabama	5%	4%
Alaska	3%	2%
American Samoa	4%	3%
Arizona	6%	5%
Arkansas	6%	5%
California	8%	7%
Canada	4%	3%
Colorado	7%	6%
Connecticut	6%	5%
Delaware	8%	7%
District of Columbia	10%	9%
Federated States of Micronesia	4%	3%
Florida	4%	3%
Georgia	7%	6%
Guam	4%	3%
Hawaii	8%	7%
Idaho	7%	6%
Illinois	6%	5%
Indiana	6%	5%
Iowa	8%	7%
Kansas	7%	6%
Kentucky	7%	6%
Louisiana	4%	3%
Maine	9%	8%
Marshall Islands	4%	3%
Maryland	9%	8%
Massachusetts	9%	8%
Mexico	4%	3%
Michigan	9%	8%
Minnesota	9%	8%
Mississippi	5%	4%
Missouri	6%	5%
Montana	8%	7%
Nebraska	8%	7%
Nevada	3%	2%
New Hampshire	7%	6%
New Jersey	8%	7%
New Mexico	6%	5%
New York	11%	10%
North Carolina	8%	7%
North Dakota	6%	5%
Northern Mariana Islands	4%	3%
Ohio	8%	7%
Oklahoma	6%	5%
Oregon	10%	9%
Palau	4%	3%
Pennsylvania	7%	6%
Puerto Rico	4%	3%
Rhode Island	9%	8%
South Carolina	8%	7%
South Dakota	4%	3%
Tennessee	3%	2%
Texas	3%	2%
Utah	8%	7%
Vermont	8%	7%
Virgin Islands	4%	3%
Virginia	8%	7%
Washington	4%	3%
West Virginia	6%	5%
Wisconsin	10%	9%
Wyoming	3%	2%
Blank or invalid State	4%	3%
OTHER	4%	3%

Multiply parents' total income (from Worksheet A, line 7) by the appropriate rate from the table above to get the "state and other tax allowance." Use the parents' STATE OF LEGAL RESIDENCE (FAFSA/SAR #47). If this item is blank or invalid, use the student's STATE OF LEGAL RESIDENCE (FAFSA/SAR #11). If both items are blank or invalid, use the STATE in the student's mailing address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

Table A2: Social Security Tax

Calculate separately the Social Security tax of father, mother, and student.

Income Earned from Work *	Social Security Tax
$0 - $65,400	7.65% of income
$65,401 or greater	$5,003.10 + 1.45% of amount over $65,400

* Father's 1997 income earned from work is FAFSA/SAR #67.
Mother's 1997 income earned from work is FAFSA/SAR #68.
Student's 1997 income earned from work is FAFSA/SAR #55.
Social Security tax will never be less than zero.

Table A3: Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #49)	Number of college students in household (FAFSA/SAR #50)				
	1	2	3	4	5
2	$12,030	$9,980	———	———	———
3	14,990	12,940	$10,880	———	———
4	18,510	16,450	14,400	$12,340	———
5	21,840	19,780	17,730	15,670	$13,630
6	25,550	23,490	21,440	19,380	17,330

NOTE: For each additional family member, add $2,880.
For each additional college student, subtract $2,050.

Table A4: Business/Farm Net Worth Adjustment
for Worksheet A (parents only)

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $85,000	40% of net worth of business & farm
$85,001 to $255,000	$ 34,000 + 50% of excess over $85,000
$255,001 to $430,000	$119,000 + 60% of excess over $255,000
$430,001 or more	$224,000 + 100% of excess over $430,000

Table A5: Education Savings and Asset Protection Allowance

for Worksheet A (parents only)

AGE OF OLDER PARENT *	Allowance if there are two parents	Allowance if there is only one parent	AGE OF OLDER PARENT *	Allowance if there are two parents	Allowance if there is only one parent
25 or less..	0	0	45	41,200	27,400
26	2,400	1,600	46	42,300	28,100
27	4,800	3,300	47	43,300	28,800
28	7,300	4,900	48	44,400	29,300
29	9,700	6,600	49	45,500	30,000
30	12,100	8,200	50	46,700	30,700
31	14,500	9,800	51	48,100	31,500
32	16,900	11,500	52	49,400	32,200
33	19,400	13,100	53	50,900	33,000
34	21,800	14,800	54	52,100	33,800
35	24,200	16,400	55	53,700	34,700
36	26,600	18,000	56	55,400	35,600
37	29,000	19,700	57	57,100	36,400
38	31,500	21,300	58	58,800	37,500
39	33,900	23,000	59	60,600	38,500
40	36,300	24,600	60	62,400	39,400
41	37,300	25,200	61	64,500	40,500
42	38,200	25,700	62	66,800	41,700
43	39,200	26,300	63	68,700	42,900
44	40,200	26,900	64	71,100	44,000
			65 or more	73,500	45,500

AGE OF OLDER PARENT is FAFSA/SAR #82; if blank, use age 45 on the table.

Table A6: Parents' Contribution From AAI

If parents' AAI is—	The parents' contribution from AAI is—
Less than -$3,409	-$750
-$3,409 to $10,800	22% of AAI
$10,801 to $13,500	$2,376 + 25% of AAI over $10,800
$13,501 to $16,200	$3,051 + 29% of AAI over $13,500
$16,201 to $19,000	$3,834 + 34% of AAI over $16,200
$19,001 to $21,700	$4,786 + 40% of AAI over $19,000
$21,701 or more	$5,866 + 47% of AAI over $21,700

Table A7: State and Other Tax Allowance
for Worksheet A (student only)

Alabama	3%	Missouri	3%
Alaska	0%	Montana	5%
American Samoa	2%	Nebraska	4%
Arizona	3%	Nevada	0%
Arkansas	4%	New Hampshire	1%
California	5%	New Jersey	3%
Canada	2%	New Mexico	4%
Colorado	4%	New York	7%
Connecticut	2%	North Carolina	5%
Delaware	5%	North Dakota	2%
District of Columbia	7%	Northern Mariana Islands	2%
Federated States of Micronesia	2%	Ohio	5%
Florida	1%	Oklahoma	4%
Georgia	4%	Oregon	6%
Guam	2%	Palau	2%
Hawaii	6%	Pennsylvania	3%
Idaho	5%	Puerto Rico	2%
Illinois	2%	Rhode Island	4%
Indiana	4%	South Carolina	5%
Iowa	5%	South Dakota	0%
Kansas	4%	Tennessee	0%
Kentucky	5%	Texas	0%
Louisiana	2%	Utah	5%
Maine	5%	Vermont	4%
Marshall Islands	2%	Virgin Islands	2%
Maryland	6%	Virginia	4%
Massachusetts	5%	Washington	0%
Mexico	2%	West Virginia	4%
Michigan	4%	Wisconsin	5%
Minnesota	6%	Wyoming	0%
Mississippi	3%	Blank or Invalid State	2%
		OTHER	2%

Multiply the total income of student (Worksheet A, line 37) by the appropriate rate from the table above to get the "state and other tax allowance." Use the student's STATE OF LEGAL RESIDENCE (FAFSA/SAR #11). If this item is blank or invalid, use the STATE in student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the parents' STATE OF LEGAL RESIDENCE (FAFSA/SAR #47). If all three items are blank or invalid, use the rate for a blank or invalid state above.

1998-99 EFC FORMULA B: INDEPENDENT STUDENT Without Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1997

1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	
2. a. Student's income earned from work (FAFSA/SAR #55) ________	
2. b. Spouse's income earned from work (FAFSA/SAR #56) + ________	
Total student/spouse income earned from work = 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57) ________	
• Social Security benefits (FAFSA/SAR #58) ________	
• Other untaxed income (FAFSA/SAR #61) + ________	
Total untaxed income and benefits = 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)	
6. Exclusions (FAFSA/SAR #62) -	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	
9. State and other tax allowance (Table B1. If negative, enter zero.) +	
10. Student's Social Security tax (Table B2) +	
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: • \$4,250 for unmarried student; • \$4,250 for married student if both student & spouse are enrolled at least 1/2 time; • \$7,250 for married student if only the student is enrolled at least 1/2 time. +	
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or \$2,800, whichever is less. +	
14. **TOTAL ALLOWANCES** =	

CONTRIBUTION FROM AVAILABLE INCOME

Total income (from line 7)	
Total allowances (from line 14) -	
15. **AVAILABLE INCOME (AI)** =	
16. Assessment rate X	.50
17. **CONTRIBUTION FROM AI** = May be a negative number.	

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS

18. Cash, savings, & checking (FAFSA/SAR #75)	
19. Other real estate & investments value * (FAFSA/SAR #76) ________	
Other real estate & investments debt * (FAFSA/SAR #77) - ________	
Net worth of real estate & investments If negative, enter zero. = 19.	
20. Business value * (FAFSA/SAR #78) ________	
Business debt * (FAFSA/SAR #79) ________	
Net worth of business If negative, enter zero = 20. ________	
21. Investment farm value * (FAFSA/SAR #80) ________	
Investment farm debt * (FAFSA/SAR #81) - ________	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 21. ________	
22. Net worth of business/farm (sum of lines 20 and 21) ________	
23. Adjusted net worth of business/farm (Calculate using Table B3.)	
24. **Net worth** (sum of lines 18, 19, and 23) =	
25. Asset protection allowance (Table B4) -	
26. **Discretionary net worth** (line 24 minus line 25) =	
27. Asset conversion rate X	.35
28. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

EXPECTED FAMILY CONTRIBUTION

Contribution from AI (from line 17) May be a negative number.	
Contribution from assets (from line 28) +	
29. **Contribution from AI and assets** =	
30. **Number in college in 1998-99** (FAFSA/SAR #45) ÷	
31. **EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment (if negative, enter zero) ** =	

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months		
Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

1998-99 EFC FORMULA B: INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1997	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)	
2. a. Student's income earned from work (FAFSA/SAR #55) ______	
2. b. Spouse's income earned from work (FAFSA/SAR #56) + ______	
Total student/spouse income earned from work = 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #57) ______	
• Social Security benefits (FAFSA/SAR #58) ______	
• Other untaxed income (FAFSA/SAR #61) + ______	
Total untaxed income and benefits =4.	
5. Taxable and untaxed income (sum of line 3 and line 4)	
6. Exclusions (FAFSA/SAR #62) -	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	
9. State and other tax allowance (Table B1. If negative, enter zero.) +	
10. Student's Social Security tax (Table B2) +	
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: • $4,250 for unmarried student; • $4,250 for married student if both student & spouse are enrolled at least 1/2 time; • $7,250 for married student if only the student is enrolled at least 1/2 time. +	
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or $2,800, whichever is less. +	
14. **TOTAL ALLOWANCES** =	

CONTRIBUTION FROM AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. **AVAILABLE INCOME (AI)**	=	
16. Assessment rate	X	.50
17. **CONTRIBUTION FROM AI** May be a negative number.	=	

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS	
18. Cash, savings, & checking (FAFSA/SAR #75)	
19. Other real estate & investments value * (FAFSA/SAR #76) ______	
Other real estate & investments debt * (FAFSA/SAR #77) - ______	
Net worth of real estate & investments If negative, enter zero. = 19.	
20. Business value * (FAFSA/SAR #78) ______	
Business debt * (FAFSA/SAR #79) ______	
Net worth of business If negative, enter zero = 20. ______	
21. Investment farm value * (FAFSA/SAR #80) ______	
Investment farm debt * (FAFSA/SAR #81) - ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 21. ______	
22. Net worth of business/farm (sum of lines 20 and 21) ______	
23. Adjusted net worth of business/farm (Calculate using Table B3.)	
24. **Net worth** (sum of lines 18, 19, and 23) =	
25. Asset protection allowance (Table B4) -	
26. **Discretionary net worth** (line 24 minus line 25) =	
27. Asset conversion rate X	.35
28. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

EXPECTED FAMILY CONTRIBUTION		
Contribution from AI (from line 17) May be a negative number.		
Contribution from assets (from line 28)	+	
29. **Contribution from AI and assets**	=	
30. **Number in college in 1998-99** (FAFSA/SAR #45)	÷	
31. **EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment (if negative, enter zero) **	=	

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months		
Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	**9**
Expected Family Contribution per month	=	
Multiply by number of months enrollment	**X**	
Expected Family Contribution for other than 9-month enrollment	=	

40

Table B1: State and Other Tax Allowance

Alabama	3%	Missouri	3%
Alaska	0%	Montana	5%
American Samoa	2%	Nebraska	4%
Arizona	3%	Nevada	0%
Arkansas	4%	New Hampshire	1%
California	5%	New Jersey	3%
Canada	2%	New Mexico	4%
Colorado	4%	New York	7%
Connecticut	2%	North Carolina	5%
Delaware	5%	North Dakota	2%
District of Columbia	7%	Northern Mariana Islands	2%
Federated States of Micronesia	2%	Ohio	5%
Florida	1%	Oklahoma	4%
Georgia	4%	Oregon	6%
Guam	2%	Palau	2%
Hawaii	6%	Pennsylvania	3%
Idaho	5%	Puerto Rico	2%
Illinois	2%	Rhode Island	4%
Indiana	4%	South Carolina	5%
Iowa	5%	South Dakota	0%
Kansas	4%	Tennessee	0%
Kentucky	5%	Texas	0%
Louisiana	2%	Utah	5%
Maine	5%	Vermont	4%
Marshall Islands	2%	Virgin Islands	2%
Maryland	6%	Virginia	4%
Massachusetts	5%	Washington	0%
Mexico	2%	West Virginia	4%
Michigan	4%	Wisconsin	5%
Minnesota	6%	Wyoming	0%
Mississippi	3%	Blank or Invalid State	2%
		OTHER	2%

Multiply the total income of student and spouse (Worksheet B, line 7) by the appropriate rate from table above to get the "state and other tax allowance." Use the student's STATE OF LEGAL RESIDENCE (FAFSA/SAR #11) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use rate for blank or invalid state above.

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Table B2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work *	Social Security Tax
$0 - $65,400	7.65% of income
$65,401 or greater	$5,003.10 + 1.45% of amount over $65,400

* Student's 1997 income earned from work is FAFSA/SAR #55.
Spouse's 1997 income earned from work is FAFSA/SAR #56.
Social Security tax will never be less than zero.

Table B3: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $85,000	40% of net worth of business & farm
$85,001 to $255,000	$ 34,000 + 50% of excess over $85,000
$255,001 to $430,000	$119,000 + 60% of excess over $255,000
$430,001 or more	$224,000 + 100% of excess over $430,000

Table B4
Asset Protection Allowance

Age of student as of 12/31/98 *	Allowance for— Married Student	Unmarried Student
25 or less..	0	0
26	2,400	1,600
27	4,800	3,300
28	7,300	4,900
29	9,700	6,600
30	12,100	8,200
31	14,500	9,800
32	16,900	11,500
33	19,400	13,100
34	21,800	14,800
35	24,200	16,400
36	26,600	18,000
37	29,000	19,700
38	31,500	21,300
39	33,900	23,000
40	36,300	24,600
41	37,300	25,200
42	38,200	25,700
43	39,200	26,300
44	40,200	26,900
45	41,200	27,400
46	42,300	28,100
47	43,300	28,800
48	44,400	29,300
49	45,500	30,000
50	46,700	30,700
51	48,100	31,500
52	49,400	32,200
53	50,900	33,000
54	52,100	33,800
55	53,700	34,700
56	55,400	35,600
57	57,100	36,400
58	58,800	37,500
59	60,600	38,500
60	62,400	39,400
61	64,500	40,500
62	66,800	41,700
63	68,700	42,900
64	71,100	44,000
65 or more	73,500	45,500

* Determine student's age as of 12/31/98 from student's date of birth (FAFSA/SAR #9)

1998-99 EFC FORMULA C: INDEPENDENT STUDENT
With Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **C**

STUDENT/SPOUSE INCOME IN 1997		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		
2. a. Student's income earned from work (FAFSA/SAR #55)	________	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+ ________	
Total student/spouse income earned from work	= 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	________	
• Social Security benefits (FAFSA/SAR #58)	+ ________	
• AFDC/ADC (FAFSA/SAR #59)	+ ________	
• Child support received (FAFSA/SAR #60)	+ ________	
• Other untaxed income (FAFSA/SAR #61)	+ ________	
Total untaxed income and benefits	= 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Exclusions (FAFSA/SAR #62)	-	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.		
9. State and other tax allowance (Table C1. If negative, enter zero.)	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance:		
• Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less.		
• One-parent families: 35% of earned income, or $2,800, whichever is less)		
• Student or spouse working (not both): zero	+	
14. **TOTAL ALLOWANCES**	=	

AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. **AVAILABLE INCOME (AI)** May be a negative number.	=	

* STOP HERE if both of the following are true: line 3 is $12,000 or less, the student & spouse are eligible to file a 1997 IRS Form 1040A)40EZ (they are not required to file a 1997 Form 1040, or they are equired to file any income tax return)—the student's EFC is zero.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS		
16. Cash, savings, & checking (FAFSA/SAR #75)		
17. Other real estate & investments value ** (FAFSA/SAR #76)	________	
Other real estate & investments debt ** (FAFSA/SAR #77)	- ________	
Net worth of real estate & investments If negative, enter zero.	= 17.	
18. Business value ** (FAFSA/SAR #78)	________	
Business debt ** (FAFSA/SAR #79)	- ________	
Net worth of business If negative, enter zero	= 18.	
19. Investment farm value ** (FAFSA/SAR #80)	________	
Investment farm debt ** (FAFSA/SAR #81)	- ________	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.	
20. Net worth of business/farm (sum of lines 18 and 19)		
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
22. **Net worth** (sum of lines 16, 17, and 21)	=	
23. Asset protection allowance (Table C5)	-	
24. **Discretionary net worth** (line 22 minus line 23)	=	
25. Asset conversion rate	X	.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION		
Available income (AI) (from line 15)		
Contribution from assets (from line 26)	+	
27. **Adjusted available income (AAI)** May be a negative number	=	
28. **Total contribution from AAI** (Calculate using Table C6; if negative, enter zero.)		
29. **Number in college in 1998-99** (FAFSA/SAR #45)	÷	
30. **EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment ***	=	

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 2 **C**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months

Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

1998-99 EFC FORMULA C : INDEPENDENT STUDENT
With Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET **C**

STUDENT/SPOUSE INCOME IN 1997		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		
2. a. Student's income earned from work (FAFSA/SAR #55)	______	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+ ______	
Total student/spouse income earned from work = 2.		
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)	______	
• Social Security benefits (FAFSA/SAR #58)	+ ______	
• AFDC/ADC (FAFSA/SAR #59)	+ ______	
• Child support received (FAFSA/SAR #60)	+ ______	
• Other untaxed income (FAFSA/SAR #61)	+ ______	
Total untaxed income and benefits = 4.		
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Exclusions (FAFSA/SAR #62)	-	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.		
9. State and other tax allowance (Table C1. If negative, enter zero.)	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance:		
• Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less.		
• One-parent families: 35% of earned income, or $2,800, whichever is less)		
• Student or spouse working (not both): zero	+	
14. TOTAL ALLOWANCES	=	

AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS		
16. Cash, savings, & checking (FAFSA/SAR #75)		
17. Other real estate & investments value ** (FAFSA/SAR #76)	______	
Other real estate & investments debt ** (FAFSA/SAR #77)	- ______	
Net worth of real estate & investments If negative, enter zero.	= 17.	
18. Business value ** (FAFSA/SAR #78)	______	
Business debt ** (FAFSA/SAR #79)	- ______	
Net worth of business If negative, enter zero	= 18.	
19. Investment farm value ** (FAFSA/SAR #80)	______	
Investment farm debt ** (FAFSA/SAR #81)	- ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.	
20. Net worth of business/farm (sum of lines 18 and 19)		
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
22. **Net worth** (sum of lines 16, 17, and 21)	=	
23. Asset protection allowance (Table C5)	-	
24. **Discretionary net worth** (line 22 minus line 23)	=	
25. Asset conversion rate	×	.12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION		
Available income (AI) (from line 15)		
Contribution from assets (from line 26)	+	
27. Adjusted available income (AAI) May be a negative number	=	
28. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.)		
29. Number in college in 1998-99 (FAFSA/SAR #45)	÷	
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	=	

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

* STOP HERE if both of the following are true: line 3 is $12,000 or less, [illegible] the student & spouse are eligible to file a 1997 IRS Form 1040A [illegible]040EZ (they are not required to file a 1997 Form 1040, or they are [illegible] required to file any income tax return)—the student's EFC is zero.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **C**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months

Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

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Table C1: State and Other Tax Allowance

STATE	PERCENT OF TOTAL INCOME $0-14,999	PERCENT OF TOTAL INCOME $15,000 or more	STATE	PERCENT OF TOTAL INCOME $0-14,999	PERCENT OF TOTAL INCOME $15,000 or more
Alabama	5%	4%	Missouri	6%	5%
Alaska	3%	2%	Montana	8%	7%
American Samoa	4%	3%	Nebraska	8%	7%
Arizona	6%	5%	Nevada	3%	2%
Arkansas	6%	5%	New Hampshire	7%	6%
California	8%	7%	New Jersey	8%	7%
Canada	4%	3%	New Mexico	6%	5%
Colorado	7%	6%	New York	11%	10%
Connecticut	6%	5%	North Carolina	8%	7%
Delaware	8%	7%	North Dakota	6%	5%
District of Columbia	10%	9%	Northern Mariana Islands	4%	3%
Federated States of Micronesia	4%	3%	Ohio	8%	7%
Florida	4%	3%	Oklahoma	6%	5%
Georgia	7%	6%	Oregon	10%	9%
Guam	4%	3%	Palau	4%	3%
Hawaii	8%	7%	Pennsylvania	7%	6%
Idaho	7%	6%	Puerto Rico	4%	3%
Illinois	6%	5%	Rhode Island	9%	8%
Indiana	6%	5%	South Carolina	8%	7%
Iowa	8%	7%	South Dakota	4%	3%
Kansas	7%	6%	Tennessee	3%	2%
Kentucky	7%	6%	Texas	3%	2%
Louisiana	4%	3%	Utah	8%	7%
Maine	9%	8%	Vermont	8%	7%
Marshall Islands	4%	3%	Virgin Islands	4%	3%
Maryland	9%	8%	Virginia	8%	7%
Massachusetts	9%	8%	Washington	4%	3%
Mexico	4%	3%	West Virginia	6%	5%
Michigan	9%	8%	Wisconsin	10%	9%
Minnesota	9%	8%	Wyoming	3%	2%
Mississippi	5%	4%	Blank or invalid State	4%	3%
			OTHER	4%	3%

Multiply the total income of student and spouse (from Worksheet C, line 7) by the appropriate rate from the table above to get the "state and other tax allowance." Use the student's STATE OF LEGAL RESIDENCE (FAFSA/SAR #11) reported on the FAFSA. If this item is blank or invalid, use the STATE in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for blank or invalid state above.

Table C2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work *	Social Security Tax
$0 - $65,400	7.65% of income
$65,401 or greater	$5,003.10 + 1.45% of amount over $65,400

* Student's 1997 income earned from work is FAFSA/SAR #55.
Spouse's 1997 income earned from work is FAFSA/SAR #56.
Social Security tax will never be less than zero.

Table C3: Income Protection Allowance

Number in student's household, including student (FAFSA/SAR #44)	Number of college students in household (FAFSA/SAR #45)				
	1	2	3	4	5
2	$12,030	$9,980	———	———	———
3	14,990	12,940	$10,880	———	———
4	18,510	16,450	14,400	$12,340	———
5	21,840	19,780	17,730	15,670	$13,630
6	25,550	23,490	21,440	19,380	17,330

NOTE: For each additional family member, add $2,880.
For each additional college student, subtract $2,050

Table C4: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $85,000	40% of net worth of business & farm
$85,001 to $255,000	$ 34,000 + 50% of excess over $85,000
$255,001 to $430,000	$119,000 + 60% of excess over $255,000
$430,001 or more	$224,000 + 100% of excess over $430,000

Table C5: Asset Protection Allowance

Age of student as of 12/31/98*	Allowance for— Married Student	Unmarried Student	Age of student as of 12/31/98*	Allowance for— Married Student	Unmarried Student
25 or less..	0	0	45	41,200	27,400
26	2,400	1,600	46	42,300	28,100
27	4,800	3,300	47	43,300	28,800
28	7,300	4,900	48	44,400	29,300
29	9,700	6,600	49	45,500	30,000
30	12,100	8,200	50	46,700	30,700
31	14,500	9,800	51	48,100	31,500
32	16,900	11,500	52	49,400	32,200
33	19,400	13,100	53	50,900	33,000
34	21,800	14,800	54	52,100	33,800
35	24,200	16,400	55	53,700	34,700
36	26,600	18,000	56	55,400	35,600
37	29,000	19,700	57	57,100	36,400
38	31,500	21,300	58	58,800	37,500
39	33,900	23,000	59	60,600	38,500
40	36,300	24,600	60	62,400	39,400
41	37,300	25,200	61	64,500	40,500
42	38,200	25,700	62	66,800	41,700
43	39,200	26,300	63	68,700	42,900
44	40,200	26,900	64	71,100	44,000
			65 or more	73,500	45,500

* Determine student's age as of 12/31/98 from student's date of birth (FAFSA/SAR #9)

Table C6: Contribution From AAI

If student's AAI is—	**The student's contribution from AAI is—**
Less than -$3,409	-$750
-$3,409 to $10,800	22% of AAI
$10,801 to $13,500	$2,376 + 25% of AAI over $10,800
$13,501 to $16,200	$3,051 + 29% of AAI over $13,500
$16,201 to $19,000	$3,834 + 34% of AAI over $16,200
$19,001 to $21,700	$4,786 + 40% of AAI over $19,000
$21,701 or more	$5,866 + 47% of AAI over $21,700

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Case Studies

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NOTES FOR COMPLETING CASE STUDIES

This section contains four case studies that show how the independent and dependent student formulas work, including both regular and simplified calculations. Each case study gives basic information about a family's financial situation. The notes to each case and the completed worksheet show how the EFC is calculated from that information.

Each case study provides enough information to calculate the EFC, including the state of residence to be used for the state tax allowance. If something is not explicitly mentioned (such as whether the family has untaxed income), you may assume that the family has nothing to report in that area. However, as in real life, some of the case studies contain information that will not be used in the calculation.

Note that some of the items on the worksheets, such as 1997 income and U.S. income tax paid, are taken directly from the line items on the FAFSA/Student Aid Report (SAR). Other items on the worksheets must be calculated by using one of the Tables.

When completing the case studies, there are two key steps worth remembering:

- Always check to see if the family is eligible for the employment expense allowance.

- Use the standard rule for rounding to the nearest dollar: that is, round down for $ .49 or less, and round up for $.50 or more. (The processing system calculates decimals to 3 places before rounding.)

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Case Study 1 - Tony (Wyoming)

Tony, age 21, is attending a local college and lives at home with his parents and a younger brother, who also attends college. The parents' adjusted gross income in 1997 was $49,700. His father, age 46, earned $46,100; his mother, age 45, is retired on disability and received $6,200 in Social Security benefits in 1997, of which $3,100 was taxable income (included in their adjusted gross income) and $3,100 was untaxed income. His parents also received $500 in 1997 from interest earned on their savings account; the balance of the account was $10,000 on the day they signed Tony's FAFSA. They own their home, which is valued at $90,000; the amount outstanding on their mortgage is $70,000. Tony earned $2,500 in 1997 and has $600 in his own savings and checking account; he filed an IRS Form 1040EZ and paid no income tax.

Tony's parents filed an IRS Form 1040A for 1997 and claimed Tony and his brother as exemptions; they paid $7,100 in U.S. income taxes.

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NOTES TO CASE STUDY 1 - TONY

❖ Because Tony is not yet 24 and does not meet any of the other independent student criteria, he is considered to be a dependent student.

❖ The simplified worksheet is used to calculate Tony's primary EFC because his family met the criteria for the simplified formula: 1) Tony filed an IRS Form 1040EZ, 2) his parents filed an IRS Form 1040A (neither parent filed a Form 1040), and 3) his parent's income ($49,700) is $49,999 or less. The regular full-data worksheet is used to calculate Tony's <u>secondary</u> EFC, because his school requires every applicant to fill out the full-data application form.

❖ When Tony's parents calculated their adjusted gross income (AGI), the IRS Form 1040A instructions required them to fill out a Social Security benefits worksheet in the 1040A instructions to determine if any of his mother's benefits were taxable income. Fifty percent of her benefits were taxable income and were included in the parents' AGI; Tony reported the other 50 percent of her benefits as nontaxable income on his FAFSA.

❖ Tony's parents' 1997 AGI is $49,700, which includes his father's earned income of $46,100, his mother's taxable Social Security benefits of $3,100, and $500 interest earned on their savings account.

❖ The "state and other tax allowance" against parents' income is 2 percent for Wyoming when the parents' total income is $15,000 or more (see Table A1, page 35). The "state and other tax allowance" against the student's own income is zero percent for Wyoming (see Table A7, page 38).

1998-99 EFC FORMULA A: DEPENDENT STUDENT

SIMPLIFIED WORKSHEET Page 1 **A**

PARENTS' INCOME IN 1997

1. Parents' Adjusted Gross Income (FAFSA/SAR #65)	49,700
2. a. Father's income earned from work (FAFSA/SAR #67) 46,100	
2. b. Mother's income earned from work (FAFSA/SAR #68) + 0	
Total parents' income earned from work = 2.	46,100
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	49,700
4. Untaxed income and benefits:	
• Earned Income Credit (tax filers only) (FAFSA/SAR #68) ______	
• Social Security benefits (FAFSA/SAR #70) + 3,100	
• AFDC/ADC (FAFSA/SAR #71) + ______	
• Child support received (FAFSA/SAR #72) + ______	
• Other untaxed income (FAFSA/SAR #73) + ______	
Total untaxed income and benefits = 4.	3,100
5. Taxable and untaxed income (sum of line 3 and line 4)	52,800
6. Exclusions (FAFSA/SAR #74) -	0
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	52,800

ALLOWANCES AGAINST PARENTS' INCOME

8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	7,100
9. State and other tax allowance (Table A1. If negative, enter zero.) +	1,056
10. Father's Social Security tax (Table A2) +	3,527
11. Mother's Social Security tax (Table A2) +	0
12. Income protection allowance (Table A3) +	16,450
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less.	
• One parent families: 35% of earned income, or $2,800, whichever is less	
• Two-parent families, one working parent: zero +	
14. **TOTAL ALLOWANCES** =	28,133

AVAILABLE INCOME

Total income (from line 7)	52,800
Total allowances (from line 14) -	28,133
15. **AVAILABLE INCOME (AI)** May be a negative number. =	24,667

* STOP HERE if both of the following are true: line 3 is $12,000 or less, *and* the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040), or they are not required to file any income tax return—the student's EFC is zero.

PARENTS' CONTRIBUTION FROM ASSETS

16. Cash, savings, & checking (FAFSA/SAR #83)	
17. Other real estate & investments value ** (FAFSA/SAR #84) ______	
Other real estate & investments debt ** (FAFSA/SAR #85) - ______	
Net worth of real estate & investments If negative, enter zero. = 17.	
18. Business value ** (FAFSA/SAR #86) ______	
Business debt ** (FAFSA/SAR #87) - ______	
Net worth of business If negative, enter zero = 18. ______	
19. Investment farm value ** (FAFSA/SAR #88) ______	
Investment farm debt ** (FAFSA/SAR #89) - ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 19. ______	
20. Net worth of business/farm (sum of lines 18 and 19) 20. ______	
21. Adjusted net worth of business/farm (Calculate using Table A4.) +	
22. **Net worth** (sum of lines 16, 17, and 21) =	
23. Education savings and asset protection allowance (Table A5) -	
24. **Discretionary net worth** (line 22 minus line 23) =	
25. Asset conversion rate X	.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

PARENTS' CONTRIBUTION

Available income (AI) (from line 15)	24,667
Contribution from assets (from line 26) +	
27. **Adjusted available income (AAI)** May be a negative number. =	24,667
28. **Total parents' contribution from AAI** (Calculate using Table A6; if negative, enter zero.)	7,260
29. **Number in college in 1998-99** (FAFSA/SAR #50) ÷	2
30. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)	3,630

** Do not include the family's home.

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SIMPLIFIED WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 1997	
31. Adjusted Gross Income (FAFSA/SAR #53)	2,500
32. Income earned from work (FAFSA/SAR #55)	2,500
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	2,500
34. Untaxed income and benefits:	
• Social Security benefits (FAFSA/SAR #58) ______	
• Other untaxed income (FAFSA/SAR #61) + ______	
Total untaxed income and benefits = 34.	0
35. Taxable and untaxed income (sum of line 33 and line 34)	2,500
36. Exclusions (FAFSA/SAR #62) -	0
37. **TOTAL INCOME** (line 35 minus line 36) May be a negative number. =	2,500

ALLOWANCES AGAINST STUDENT INCOME	
38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	0
39. State and other tax allowance (Table A7. If negative, enter zero.) +	0
40. Social Security tax allowance (Table A2) +	153
41. Income protection allowance +	2,200
42. **TOTAL ALLOWANCES** =	2,353

Total income (from line 37)	2,500
Total allowances (from line 42) -	2,353
43. **Available income (AI)** =	147
44. **Assessment of AI** X	.50
45. **STUDENT CONTRIBUTION FROM AI** If negative, enter zero. =	74

STUDENT CONTRIBUTION FROM ASSETS	
46. Cash, savings, & checking (FAFSA/SAR #75)	
47. Other real estate & investments value * (FAFSA/SAR #76) ______	
Other real estate & investments debt * (FAFSA/SAR #77) - ______	
Net worth of real estate & investments If negative, enter zero. = 47.	
48. Business value * (FAFSA/SAR #78) ______	
Business debt * (FAFSA/SAR #79) - ______	
Net worth of business If negative, enter zero = 48.	
49. Investment farm value * (FAFSA/SAR #80) ______	
Investment farm debt * (FAFSA/SAR #81) - ______	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 49.	
50. **Net worth** (sum of lines 46 through 49) =	
51. Assessment rate X	.35
52. **CONTRIBUTION FROM ASSETS** =	

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 30)	3,630
STUDENT CONTRIBUTION FROM AI (from line 45) +	74
STUDENT CONTRIBUTION FROM ASSETS (from line 52) +	
53. **EXPECTED FAMILY CONTRIBUTION** =	3,704

* Do not include the student's home.

1998-99 EFC FORMULA A: DEPENDENT STUDENT

REGULAR WORKSHEET Page 1 **A**

PARENTS' INCOME IN 1997		
1. Parents' Adjusted Gross Income (FAFSA/SAR #65)		49,700
2. a. Father's income earned from work (FAFSA/SAR #67)	46,100	
2. b. Mother's income earned from work (FAFSA/SAR #68)	+ 0	
Total parents' income earned from work = 2.		46,100
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) *		49,700
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #69)		
• Social Security benefits (FAFSA/SAR #70)	+ 3,100	
• AFDC/ADC (FAFSA/SAR #71)	+	
• Child support received (FAFSA/SAR #72)	+	
• Other untaxed income (FAFSA/SAR #73)	+	
Total untaxed income and benefits = 4.		3,100
5. Taxable and untaxed income (sum of line 3 and line 4)		52,800
6. Exclusions (FAFSA/SAR #74) -		0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number. =		52,800

ALLOWANCES AGAINST PARENTS' INCOME	
8. 1997 U.S. income tax paid (FAFSA/SAR #66) (tax filers only); if negative, enter zero.	7,100
9. State and other tax allowance (Table A1. If negative, enter zero.) +	1,056
10. Father's Social Security tax (Table A2) +	3,527
11. Mother's Social Security tax (Table A2) +	0
12. Income protection allowance (Table A3) +	16,450
13. Employment expense allowance:	
• Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less.	
• One parent families: 35% of earned income, or $2,800, whichever is less	
• Two-parent families, one working parent: zero +	
14. TOTAL ALLOWANCES =	28,133

AVAILABLE INCOME	
Total income (from line 7)	52,800
Total allowances (from line 14) -	28,133
15. AVAILABLE INCOME (AI) May be a negative number. =	24,667

* STOP HERE if both of the following are true: line 3 is $12,000 or less, *and* the parents are eligible to file a 1997 IRS Form 1040A or 1040EZ (... not required to file a 1997 Form 1040), or they are not required ...y income tax return—the student's EFC is zero.

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings, & checking (FAFSA/SAR #83)		10,000
17. Other real estate & investments value ** (FAFSA/SAR #84)		
Other real estate & investments debt ** (FAFSA/SAR #85)	-	
Net worth of real estate & investments If negative, enter zero. = 17.		0
18. Business value ** (FAFSA/SAR #86)		
Business debt ** (FAFSA/SAR #87)	-	
Net worth of business If negative, enter zero = 18.		
19. Investment farm value ** (FAFSA/SAR #88)		
Investment farm debt ** (FAFSA/SAR #89)	-	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 19.		
20. Net worth of business/farm (sum of lines 18 and 19) 20.		
21. Adjusted net worth of business/farm (Calculate using Table A4.) +		0
22. **Net worth** (sum of lines 16, 17, and 21) =		10,000
23. Education savings and asset protection allowance (Table A5) -		42,300
24. **Discretionary net worth** (line 22 minus line 23) =		-32,300
25. Asset conversion rate X		.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero. =		0

PARENTS' CONTRIBUTION	
Available income (AI) (from line 15)	24,667
Contribution from assets (from line 26) +	0
27. **Adjusted available income (AAI)** May be a negative number. =	24,667
28. **Total parents' contribution from AAI** (Calculate using Table A6; if negative, enter zero.)	7,260
29. **Number in college in 1998-99** (FAFSA/SAR #50) ÷	2
30. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)	3,630

** Do not include the family's home.

continued on reverse

REGULAR WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 1997	
31. Adjusted Gross Income (FAFSA/SAR #53)	2,500
32. Income earned from work (FAFSA/SAR #55)	2,500
33. Taxable Income (If tax filer, enter the amount from line 31. If non-tax filer, enter the amount from line 32.)	2,500
34. Untaxed income and benefits: • Social Security benefits (FAFSA/SAR #58) ____ • Other untaxed income (FAFSA/SAR #61) + ____ Total untaxed income and benefits = **34.**	0
35. Taxable and untaxed income (sum of line 33 and line 34)	2,500
36. Exclusions (FAFSA/SAR #62) -	0
37. TOTAL INCOME (line 35 minus line 36) May be a negative number. =	2,500

ALLOWANCES AGAINST STUDENT INCOME	
38. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	0
39. State and other tax allowance (Table A7. If negative, enter zero.) +	0
40. Social Security tax allowance (Table A2) +	153
41. Income protection allowance +	2,200
42. TOTAL ALLOWANCES =	2,353

Total income (from line 37)	2,500
Total allowances (from line 42) -	2,353
43. Available income (AI) =	147
44. Assessment of AI X	.50
45. STUDENT CONTRIBUTION FROM AI = If negative, enter zero.	74

STUDENT CONTRIBUTION FROM ASSETS	
46. Cash, savings, & checking (FAFSA/SAR #75)	600
47. Other real estate & investments value * (FAFSA/SAR #76) ____ Other real estate & investments debt * (FAFSA/SAR #77) - ____ Net worth of real estate & investments If negative, enter zero. = **47.**	0
48. Business value * (FAFSA/SAR #78) ____ Business debt * (FAFSA/SAR #79) - ____ Net worth of business If negative, enter zero = **48.**	0
49. Investment farm value * (FAFSA/SAR #80) ____ Investment farm debt * (FAFSA/SAR #81) - ____ Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = **49.**	0
50. Net worth (sum of lines 46 through 49) =	600
51. Assessment rate X	.35
52. CONTRIBUTION FROM ASSETS =	210

EXPECTED FAMILY CONTRIBUTION	
PARENTS' CONTRIBUTION (from line 30)	3,630
STUDENT CONTRIBUTION FROM AI (from line 45) +	74
STUDENT CONTRIBUTION FROM ASSETS (from line 52) +	210
53. EXPECTED FAMILY CONTRIBUTION =	3,914

* Do not include the student's home.

CASE STUDY 2 - MEGHAN (NORTH CAROLINA)

Meghan, age 31, will attend college full time in 1998-99. Her taxable income in 1997 was $12,500; she also received a Federal Pell Grant of $1,200 and $1,000 from a Federal Perkins Loan while enrolled in college in 1997. Meghan filed an IRS Form 1040A and paid $1,050 in U.S. income taxes. She has $500 in a savings and checking account. She is not married and has no dependents.

NOTES TO CASE STUDY 2 - MEGHAN

❖ Meghan is considered an independent applicant because she is over 24 years old.

❖ The simplified worksheet is used to calculate Meghan's primary EFC because she met the criteria for the simplified formula—she filed an IRS Form 1040A (did not file a Form 1040), and her income ($12,500) is $49,999 or less. Her school requires all applicants to fill out the full-data application; therefore, she will also receive a secondary EFC from the regular formula. Although the regular formula includes assets, the EFC calculated from the regular formula is the same as that from the simplified formula in her case because the asset protection allowance ($9,800 in Table B4, page 45) exceeds the value of her net assets ($500), giving a "discretionary net worth" of less than zero, which is set to zero.

❖ The EFC formulas do not include Federal Pell Grants or Federal Perkins Loans. The instructions for the FAFSA told Meghan to exclude those types of student aid when reporting her income and taxes on the application.

❖ The "state and other tax allowance" for North Carolina is 5 percent of a student's total income (see Table B1, page 43).

1998-99 EFC FORMULA B: INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1997

1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		12,500
2. a. Student's income earned from work (FAFSA/SAR #55)	12,500	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+	
Total student/spouse income earned from work = 2.		12,500
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		12,500
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)		
• Social Security benefits (FAFSA/SAR #58)		
• Other untaxed income (FAFSA/SAR #61)	+	
Total untaxed income and benefits =4.		0
5. Taxable and untaxed income (sum of line 3 and line 4)		12,500
6. Exclusions (FAFSA/SAR #62) -		0
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. =		12,500

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	1,050
9. State and other tax allowance (Table B1. If negative, enter zero.) +	625
10. Student's Social Security tax (Table B2) +	956
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: • $4,250 for unmarried student; • $4,250 for married student if both student & spouse are enrolled at least 1/2 time; • $7,250 for married student if only the student is enrolled at least 1/2 time. +	4,250
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or $2,800, whichever is less. +	0
14. **TOTAL ALLOWANCES** =	6,881

CONTRIBUTION FROM AVAILABLE INCOME

Total income (from line 7)		12,500
Total allowances (from line 14)	-	6,881
15. **AVAILABLE INCOME (AI)**	=	5,619
16. Assessment rate	X	.50
17. **CONTRIBUTION FROM AI** May be a negative number.	=	2,810

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS

18. Cash, savings, & checking (FAFSA/SAR #75)		
19. Other real estate & investments value * (FAFSA/SAR #76)		
Other real estate & investments debt * (FAFSA/SAR #77)	-	
Net worth of real estate & investments If negative, enter zero. = 19.		
20. Business value * (FAFSA/SAR #78)		
Business debt * (FAFSA/SAR #79)		
Net worth of business If negative, enter zero = 20.		
21. Investment farm value * (FAFSA/SAR #80)		
Investment farm debt * (FAFSA/SAR #81)	-	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 21.		
22. Net worth of business/farm (sum of lines 20 and 21)		
23. Adjusted net worth of business/farm (Calculate using Table B3.)		
24. **Net worth** (sum of lines 18, 19, and 23)	=	
25. Asset protection allowance (Table B4)	-	
26. **Discretionary net worth** (line 24 minus line 25)	=	
27. Asset conversion rate	X	.35
28. **CONTRIBUTION FROM ASSETS** If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION

Contribution from AI (from line 17) May be a negative number.		2,810
Contribution from assets (from line 28)	+	
29. **Contribution from AI and assets**	=	2,810
30. **Number in college in 1998-99** (FAFSA/SAR #45)	÷	1
31. **EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment (if negative, enter zero) **	=	2,810

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

1998-99 EFC FORMULA B: INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1997

1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		12,500
2. a. Student's income earned from work (FAFSA/SAR #55)	12,500	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+	
Total student/spouse income earned from work = 2.		12,500
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		12,500
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)		
• Social Security benefits (FAFSA/SAR #58)		
• Other untaxed income (FAFSA/SAR #61)	+	
Total untaxed income and benefits = 4.		0
5. Taxable and untaxed income (sum of line 3 and line 4)		12,500
6. Exclusions (FAFSA/SAR #62) -		0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number. =		12,500

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

8. 1997 U.S. income tax paid (FAFSA/SAR #54) (tax filers only); if negative, enter zero.	1,050
9. State and other tax allowance (Table B1. If negative, enter zero.) +	625
10. Student's Social Security tax (Table B2) +	956
11. Spouse's Social Security tax (Table B2) +	
12. Income protection allowance: • $4,250 for unmarried student; • $4,250 for married student if both student & spouse are enrolled at least 1/2 time; • $7,250 for married student if only the student is enrolled at least 1/2 time. +	4,250
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or $2,800, whichever is less. +	0
14. TOTAL ALLOWANCES =	6,881

CONTRIBUTION FROM AVAILABLE INCOME

Total income (from line 7)	12,500
Total allowances (from line 14) -	6,881
15. AVAILABLE INCOME (AI) =	5,619
16. Assessment rate X	.50
17. CONTRIBUTION FROM AI = May be a negative number.	2,810

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS

18. Cash, savings, & checking (FAFSA/SAR #75)		500
19. Other real estate & investments value * (FAFSA/SAR #76)		
Other real estate & investments debt * (FAFSA/SAR #77)	-	
Net worth of real estate & investments If negative, enter zero. = 19.		0
20. Business value * (FAFSA/SAR #78)		
Business debt * (FAFSA/SAR #79)		
Net worth of business If negative, enter zero = 20.		
21. Investment farm value * (FAFSA/SAR #80)		
Investment farm debt * (FAFSA/SAR #81)	-	
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero. = 21.		
22. Net worth of business/farm (sum of lines 20 and 21)		
23. Adjusted net worth of business/farm (Calculate using Table B3.)		
24. **Net worth** (sum of lines 18, 19, and 23) =		500
25. Asset protection allowance (Table B4) -		9,800
26. **Discretionary net worth** (line 24 minus line 25) =		-9,300
27. Asset conversion rate X		.35
28. CONTRIBUTION FROM ASSETS If negative, enter zero. =		0

EXPECTED FAMILY CONTRIBUTION

Contribution from AI (from line 17) May be a negative number.	2,810
Contribution from assets (from line 28) +	0
29. Contribution from AI and assets =	2,810
30. Number in college in 1998-99 (FAFSA/SAR #45) ÷	
31. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (if negative, enter zero) ** =	2,810

* Do not include the student's home.

** To calculate the student's contribution for other than 9-month enrollment, see page 2.

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CASE STUDY 3 - NICHOLAUS (NEW JERSEY)

Nicholaus, a graduate student enrolled in law school, is 31 years old, is married and has two children. He worked part time as a legal assistant in 1997 and earned $8,000. His wife is employed full-time as a high school science teacher and earned $35,000 in 1997. They also received interest income of $100 in 1997 from a savings and checking account; the balance in the account was $2,500 on the day they signed Nicholaus's FAFSA. They filed an IRS Form 1040A for 1997 and paid $5,400 in U.S. income taxes.

NOTES TO CASE STUDY 3 - NICHOLAUS

❖ Nicholaus meets three criteria for independent status, any one of which would qualify him as an independent applicant: (1) he is over 24 years old, (2) he is married, and (3) he has legal dependents other than his spouse.

❖ He qualifies for the simplified formula because he and his spouse filed an IRS Form 1040A (did not file a Form 1040), and the family's 1997 income ($43,100) did not exceed the $49,999 limit.

❖ The "state and other tax allowance" for New Jersey is 7 percent when the total income of student and spouse is $15,000 or more (see Table C1, page 51).

1998-99 EFC FORMULA C : INDEPENDENT STUDENT
With Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET C

STUDENT/SPOUSE INCOME IN 1997		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		43,100
2. a. Student's income earned from work (FAFSA/SAR #55)	8,000	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+ 35,000	
Total student/spouse income earned from work = 2.		43,000
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		43,100
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)		
• Social Security benefits (FAFSA/SAR #58)	+	
• AFDC/ADC (FAFSA/SAR #59)	+	
• Child support received (FAFSA/SAR #60)	+	
• Other untaxed income (FAFSA/SAR #61)	+	
Total untaxed income and benefits =4.		0
5. Taxable and untaxed income (sum of line 3 and line 4)		43,100
6. Exclusions (FAFSA/SAR #62)	-	0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	43,100

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.		5,400
9. State and other tax allowance (Table C1. If negative, enter zero.)	+	3,017
10. Student's Social Security tax (Table C2)	+	612
11. Spouse's Social Security tax (Table C2)	+	2,678
12. Income protection allowance (Table C3)	+	18,510
13. Employment expense allowance:		
• Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less.		
• One-parent families: 35% of earned income, or $2,800, whichever is less)		
• Student or spouse working (not both): zero	+	2,800
14. TOTAL ALLOWANCES	=	33,017

AVAILABLE INCOME		
Total income (from line 7)		43,100
Total allowances (from line 14)	-	33,017
15. AVAILABLE INCOME (AI) May be a negative number.	=	10,083

* STOP HERE if both of the following are true: line 3 is $12,000 or less, and the student & spouse are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040, or they are not required to file any income tax return)—the student's EFC is zero.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS			
16. Cash, savings, & checking (FAFSA/SAR #75)			
17. Other real estate & investments value ** (FAFSA/SAR #76)			
Other real estate & investments debt ** (FAFSA/SAR #77)	-		
Net worth of real estate & investments If negative, enter zero.	= 17.		
18. Business value ** (FAFSA/SAR #78)			
Business debt ** (FAFSA/SAR #79)	-		
Net worth of business If negative, enter zero	= 18.		
19. Investment farm value ** (FAFSA/SAR #80)			
Investment farm debt ** (FAFSA/SAR #81)	-		
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.		
20. Net worth of business/farm (sum of lines 18 and 19)			
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+		
22. **Net worth** (sum of lines 16, 17, and 21)	=		
23. Asset protection allowance (Table C5)	-		
24. **Discretionary net worth** (line 22 minus line 23)	=		
25. Asset conversion rate	X		.12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=		

EXPECTED FAMILY CONTRIBUTION		
Available income (AI) (from line 15)		10,083
Contribution from assets (from line 26)	+	
27. Adjusted available income (AAI) May be a negative number	=	10,083
28. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.)		2,218
29. Number in college in 1998-99 (FAFSA/SAR #45)	÷	1
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	=	2,218

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

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CASE STUDY 4 - ANDREA (CALIFORNIA)

Andrea, age 28, and her husband, Barney, have two children. She is enrolled as a full-time college student; Barney is employed full time as assistant manager of an electronics firm. Andrea earned $5,000 in 1997 working part time 20 hours a week. Barney's 1997 income was $45,000. They also received interest income of $150 in 1997 from a savings and checking account; the balance in the account was $3,000 on the day they signed Andrea's FAFSA. They paid $4,600 in U.S. income taxes for 1997 and filed an IRS Form 1040.

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NOTES TO CASE STUDY 4 - ANDREA

❖ Andrea meets three criteria for independent status, any one of which would qualify her as an independent applicant: (1) she is over 24 years old, (2) she is married, and (3) she has legal dependents other than her spouse.

❖ The regular worksheet is used to calculate Andrea's EFC. The simplified formula could not be used because the family's total 1997 income ($50,150) exceeded the $49,999 maximum and because she and Barney were required to file an IRS Form 1040.

❖ The "state and other tax allowance" for California is 7 percent (Table C1, page 51), as the family's total 1997 income is over $15,000.

1998-99 EFC FORMULA C: INDEPENDENT STUDENT With Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **C**

STUDENT/SPOUSE INCOME IN 1997		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #53)		50,150
2. a. Student's income earned from work (FAFSA/SAR #55)	5,000	
2. b. Spouse's income earned from work (FAFSA/SAR #56)	+ 45,000	
Total student/spouse income earned from work = 2.		50,000
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		50,150
4. Untaxed income and benefits:		
• Earned Income Credit (tax filers only) (FAFSA/SAR #57)		
• Social Security benefits (FAFSA/SAR #58)	+	
• AFDC/ADC (FAFSA/SAR #59)	+	
• Child support received (FAFSA/SAR #60)	+	
• Other untaxed income (FAFSA/SAR #61)	+	
Total untaxed income and benefits =4.		0
5. Taxable and untaxed income (sum of line 3 and line 4)		50,150
6. Exclusions (FAFSA/SAR #62)	-	0
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	50,150

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1997 U.S. income tax paid (FAFSA/SAR #56) (tax filers only); if negative, enter zero.		4,600
9. State and other tax allowance (Table C1. If negative, enter zero.)	+	3,511
10. Student's Social Security tax (Table C2)	+	383
11. Spouse's Social Security tax (Table C2)	+	3,443
12. Income protection allowance (Table C3)	+	18,510
13. Employment expense allowance:		
• Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less.		
• One-parent families: 35% of earned income, or $2,800, whichever is less)		
• Student or spouse working (not both): zero	+	1,750
14. TOTAL ALLOWANCES	=	32,197

AVAILABLE INCOME		
Total income (from line 7)		50,150
Total allowances (from line 14)	-	32,197
15. AVAILABLE INCOME (AI) May be a negative number.	=	17,953

* STOP HERE if both of the following are true: line 3 is $12,000 or less, *and* the student & spouse are eligible to file a 1997 IRS Form 1040A or 1040EZ (they are not required to file a 1997 Form 1040, or they are not required to file any income tax return)—the student's EFC is zero.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS			
16. Cash, savings, & checking (FAFSA/SAR #75)			3,000
17. Other real estate & investments value ** (FAFSA/SAR #76)			
Other real estate & investments debt ** (FAFSA/SAR #77)	-		
Net worth of real estate & investments If negative, enter zero.	= 17.		0
18. Business value ** (FAFSA/SAR #78)			
Business debt ** (FAFSA/SAR #79)	-		
Net worth of business If negative, enter zero	= 18.		
19. Investment farm value ** (FAFSA/SAR #80)			
Investment farm debt ** (FAFSA/SAR #81)	-		
Net worth of farm If negative, enter zero. If the family resides on the farm, enter zero.	= 19.		
20. Net worth of business/farm (sum of lines 18 and 19)			
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+		
22. **Net worth** (sum of lines 16, 17, and 21)	=		3,000
23. Asset protection allowance (Table C5)	-		7,300
24. **Discretionary net worth** (line 22 minus line 23)	=		-4,300
25. Asset conversion rate	X		.12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=		0

EXPECTED FAMILY CONTRIBUTION		
Available income (AI) (from line 15)		17,953
Contribution from assets (from line 26)	+	0
27. Adjusted available income (AAI) May be a negative number	=	17,953
28. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.)		4,430
29. Number in college in 1998-99 (FAFSA/SAR #45)	÷	1
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	=	4,430

** Do not include the net value of the family's home.

*** To calculate the EFC for other than 9-month enrollment, see page 2.

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